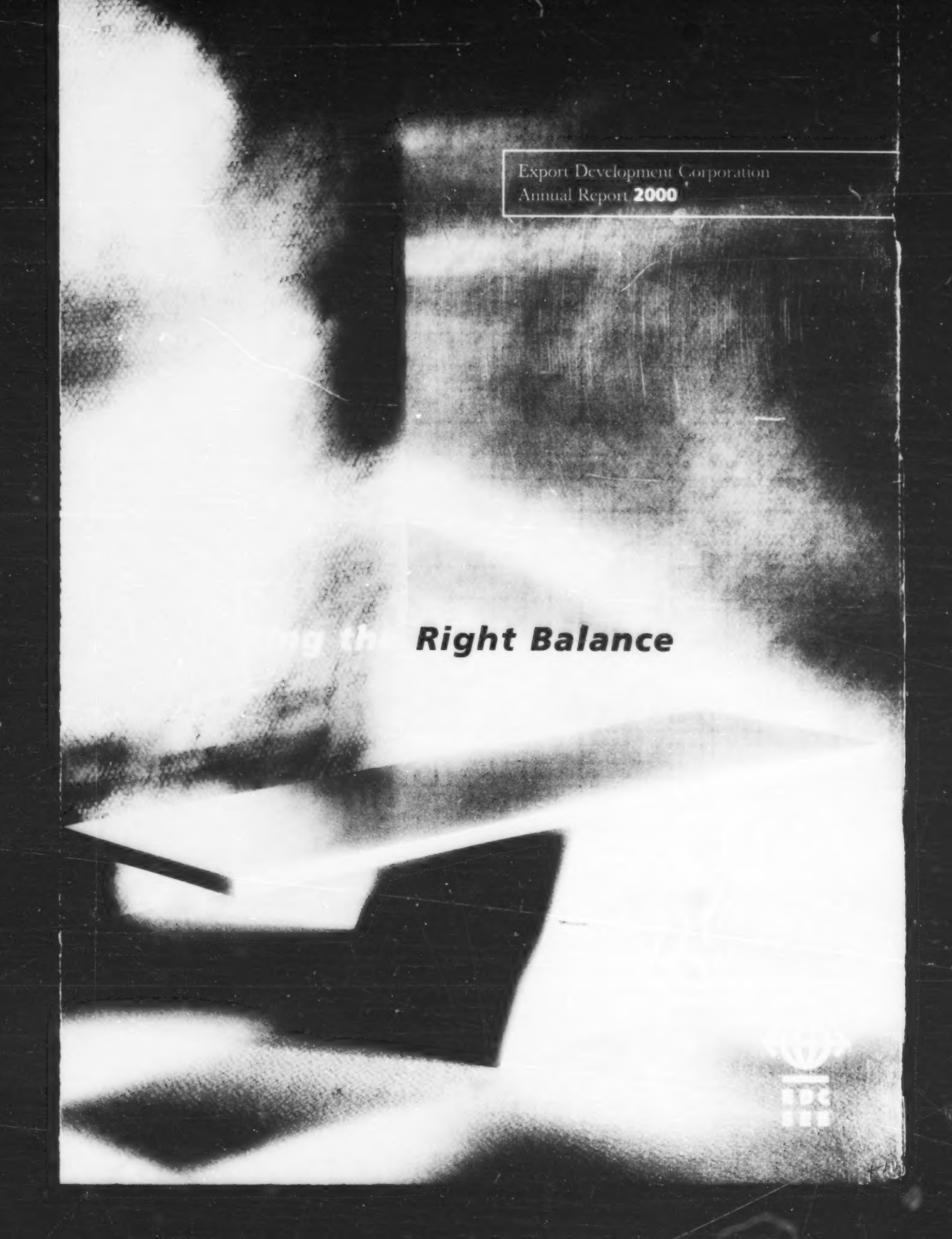

Export Development Corporation
Annual Report 2000
Right Balance

Milestones 2000

- EDC cut in half the start-up fee for first-time and smaller Canadian exporters who buy insurance policies to protect their export sales. (February)
- EDC played an instrumental role at OECD meetings in advancing the complex goal of incorporating environmental risk assessment into officially supported export credits. EDC was a sponsor of GLOBE 2000. (March)
- EDC partnered with Scotiabank to launch a new capital equipment, letter of credit based financing facility for smaller export transactions in Latin America and the Caribbean through subsidiaries/ affiliates of Scotiabank in several Latin American countries.
- EDC's strategic alliance with London Guarantee gives Canadian exporters one-stop access to accounts receivable insurance on both export and domestic sales. (March)
- EDC opened a new office in Newfoundland and posted representatives in Brazil and Mexico.
- EDC launched a new employee pension plan. (April)
- EDC supported the Junior Team Canada Program, providing young Canadians with the skills and knowledge to prepare them for careers in international business. (May)
- EDC was named AIESEC Canada Partner of the Year at the Canada National Leadership Development Conference. (May)
- National public consultations were held with stakeholders toward the development of a disclosure framework for EDC. (May)
- EDC launched a $1-million International Studies Scholarship program (May). The first 18 recipients were announced in September.

Take Your Kids to Work Day at EDC.

- EDC won first place in its category (government company with 100–1,000 employees) in the Commuter Challenge. Seventy per cent of employees used environmentally responsible modes of transportation to get to work. (June)
- EDC's team participated in the Labatt's 24-hour relay, raising $6,431.50 in pledges for local charities. This total was the third highest among the 85 teams that participated. (August)
- EDC introduced an Enterprise Risk Management (ERM) framework to more fully identify and understand the many risks to which EDC is exposed and to ensure that systems and processes are in place to mitigate and manage them. (September)
- A new program was developed jointly by Montcap Financial Corporation and EDC, which would allow Canadian exporters to easily convert their foreign accounts receivable into cash. Export Ease Plus was launched in October.
- EDC signed an agreement with COFACE establishing a framework to support and promote export transactions involving both French and Canadian companies, which would provide them with better and faster service. (November)
- EDC's United Way campaign raised over $100,000. (November)
- EDC's Parenting Committee organized Take Your Kids to Work Day. EDC hosted 17 energetic Grade 9 students. (November)

101-04754/

Striking the Right Balance

Every year for the last 56 years, Canadian businesses have used EDC trade finance solutions to make their export dreams happen and to manage the risks of the global marketplace.

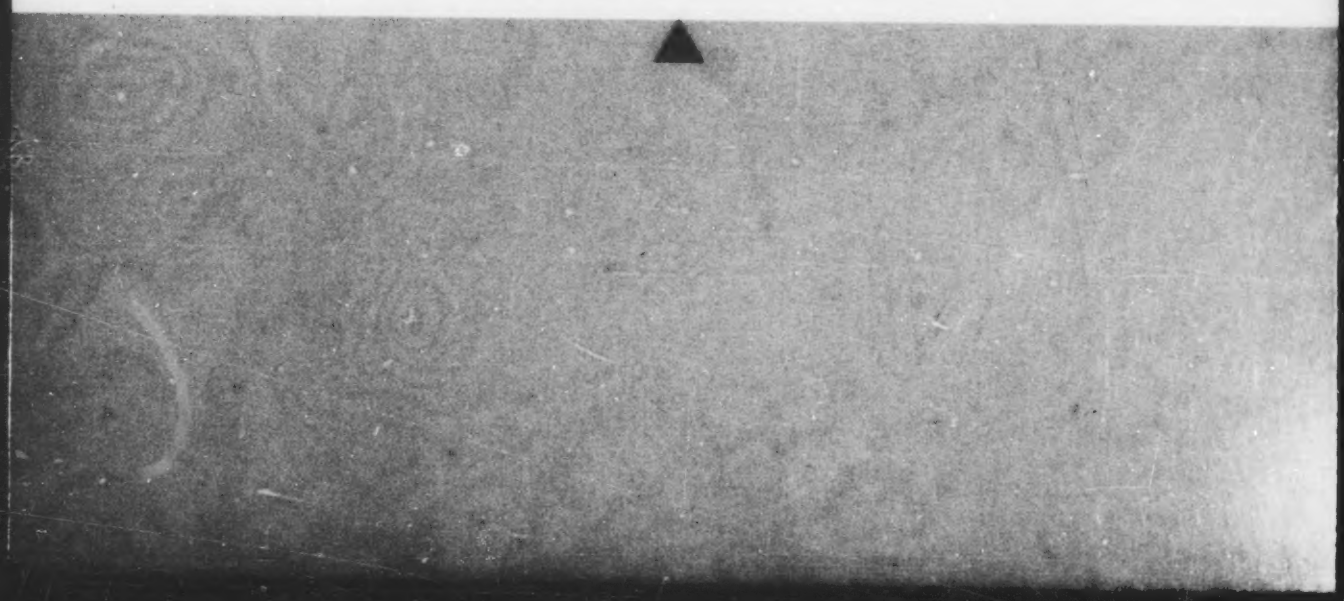
The year 2000 was no exception.

From our growing customer base – which consists mainly of small businesses – to an expanding youth and education strategy, we believe we nave struck the right balance in our year 2000 operations.

For EDC, maintaining that balance means that we've succeeded in doing the right thing for customers, for stakeholders and for Canada.

$45.4 billion*	exports and international investments, using EDC solutions
5,679	total number of customers
89%	small- and medium-sized businesses
$2 billion	total shareholder's equity
$194 million	net income
$21 billion	total assets
$0	Parliamentary appropriation
$1 million	directed towards Education and Youth Employment Strategy

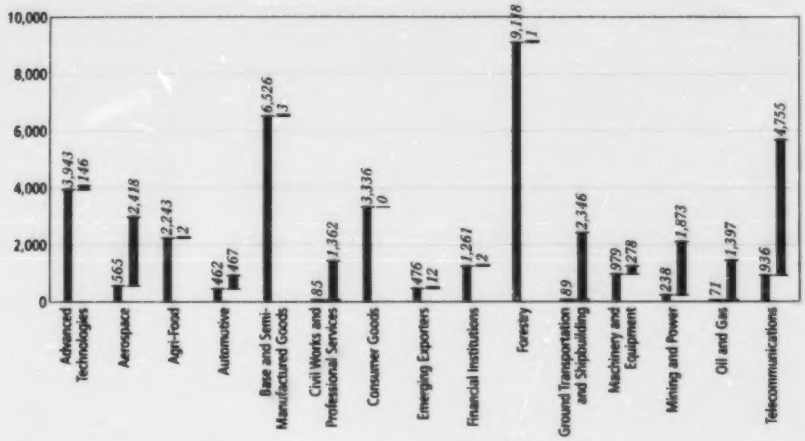
** Includes $4.7 billion in domestic volume, of which $525 million is underwritten on London Guarantee's books.*



2000 Corporate Account Highlights

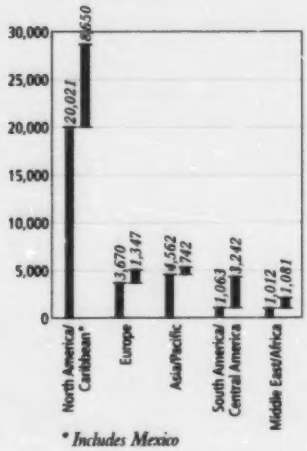
BUSINESS VOLUME BY INDUSTRY SECTOR

($ in millions)



BUSINESS VOLUME BY GEOGRAPHIC MARKET

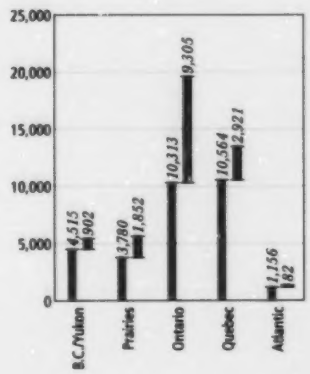
($ in millions)

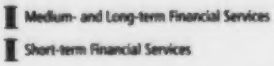


* *Includes Mexico*

BUSINESS VOLUME BY CANADIAN REGION

($ in millions)

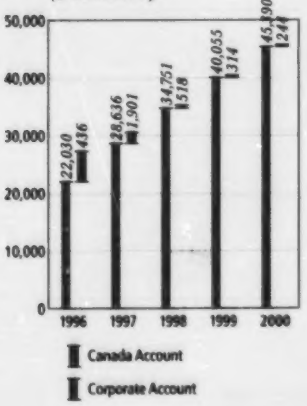




Five-Year Review

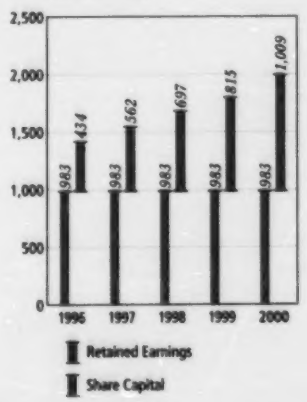
BUSINESS VOLUME

($ in millions)



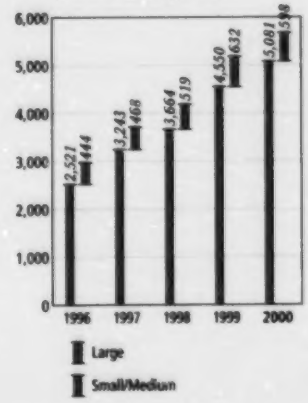
SHAREHOLDER'S EQUITY

($ in millions)



CUSTOMERS SERVED

(Number of companies)



Contents

Striking the Right Balance	i
2000 Corporate Account Highlights and Five-Year Review	ii
Milestones 2000	iii
2000 Corporate Review	
Message to the Shareholder	2
Message from the Chairman	5
Performance Against Objectives	6
Serving Small Business Better	10
Committed to Corporate Social Responsibility	12
Canada: The Global Trader	14
Team Work	18
Executive Team	18
Management Representatives	18
2000 Financial Review	19
Management's Discussion and Analysis	20
Consolidated Financial Statements	44
Five-Year Review	62
Board of Directors	65
Corporate Governance Practices	66
Code of Business Ethics	72
Glossary of Financial Terms	73
Corporate Offices	74

Message to the Shareholder

Investing in Canada's Future: Striking the Right Balance

A. Ian Gillespie
President and Chief Executive Officer

I am pleased to report on another year of exceptional accomplishments and actions positioning EDC strongly for the future. In 2000, EDC forged important new alliances and invested in its people, processes and technology, enabling Canadian businesses of all sizes to compete more effectively in an increasingly complex and changing world.

EDC's results underscore its unique role as a trade finance institution – executing its public policy role with a focus on customer service and commercial discipline. Over the past few years, EDC has built its equity base and financial capacity to ensure that it can support a rapidly increasing level of Canadian trade.

From the shareholder's investment of $1 billion, EDC has facilitated, in total, more than $300 billion in exports and foreign investments. As a result of our record net income in 2000, retained earnings now surpass paid-in share capital – a noteworthy milestone. Our loan and insurance portfolios are well diversified and provisioned to reflect the higher-risk nature of the marketplace in which our customers do business and in anticipation of a more difficult credit environment in 2001.

The $45.4 billion business volume that EDC facilitated last year reflects the growing Canadian economy, increased understanding of the global trade imperative, and greater recognition of the competitive advantages of EDC's services. Financing and insurance volumes in higher-risk markets accounted for 23 per cent of this amount. EDC also served 5,679 customers in 2000, a new record, and, according to its annual satisfaction survey, EDC continues to achieve high marks from its customers.

EDC's administrative expense as a percentage of operating income was an extremely low 13.6 per cent. With the investments we are making in people and technology, this efficiency ratio will increase to allow us to support a growing client base; however, this ratio will remain highly favourable relative to the overall financial services industry.

Canada's trade environment

The past decade has witnessed an unprecedented global integration of trade, investment, technology and enterprise. Within the trade portfolio of Minister Pettigrew, trade finance provides critical support to Canadian exporters pursuing opportunities opened through Canada's international trade policy and

trade promotion infrastructure. Driven by such forces as trade and investment liberalization, rapid technological advances, and wide-ranging privatization and deregulation, global economic activity is increasingly characterized by rising levels of cross-border investment and trade.

EDC helps create capacity in the Canadian financial system to meet the increased trade and investment needs of Canadian business. Despite the worldwide proliferation of private capital sources, Canadian firms' ability to access capital for international sales and investments has been limited. Many Canadian companies simply lack the financial strength to mobilize debt and investment financing to the same degree as their more highly capitalized rivals.

Canada also has a relatively underdeveloped credit insurance market – a product of its small market and the long-standing lack of appreciation by Canadian business for credit insurance. The result is that Canadian companies have faced constraints in responding to foreign business opportunities. EDC delivers the risk management services geared to the trade and investment needs of Canadian businesses. In short, our business *is* the business of managing risk.

Expanding our customer base and effectively redefining our target market to encompass the needs of export-ready companies are priorities. One of EDC's key beneficiaries is Canada's small business community, which forms 89 per cent of EDC's customer base. EDC's specialized services for small- and medium-sized enterprises (SMEs) are complemented by those delivered in partnership with other financial institutions.

In 2000, EDC engaged the Canadian financial services community in various new co-operative efforts to provide trade and investment financing services. For example, the strategic alliance with London Guarantee gives Canadian exporters one-stop access to insurance on export and domestic sales. This initiative has helped spawn an indigenous domestic credit insurance business in Canada, creating more competition and allowing EDC to focus on additional export-related partnerships. Such relationships are instrumental in enhancing Canada's trade finance capacity and are therefore a cornerstone of EDC's strategy. EDC will continue to focus on similar partnerships and strategic alliances that give Canadians a stronger platform for international growth.

EDC also made important investments in e-commerce and information technology, in terms of both people and processes, that help deliver on its promise of customer responsiveness and flexible solutions. Ultimately, these investments will enable EDC to be as connected to its customers as it is to the Web-based world. We hired Ron Dahms as Senior Vice-President, Business Development, to hone this strategic focus. He will ensure that EDC takes advantage of every opportunity to serve as a catalyst of international growth for Canadian businesses, large and small.

In 2000, EDC engaged the Canadian financial services community in various new co-operative efforts to provide trade and investment financing services.

Balance and leadership

EDC's commercial orientation is finely balanced with corporate social responsibility practices, particularly related to the environment, public accountability and its cause of choice, Education and Youth Employment (EYE).

EDC continues to be a leading proponent at the OECD of establishing common approaches by export credit agencies (ECAs) for assessing and mitigating the environmental impacts of projects. Owing to its expertise in this area, EDC was invited to several international gatherings of financial institutions, including ECAs, to help enhance the environmental review practices of all ECAs.

In its work with exporters of environmental goods and services, EDC strengthened its collaboration with the Canadian Environment Industry Association (CEIA), in order to ensure that its members are aware of the solutions that EDC can offer to export their essential technologies and services globally.

Committed to establishing clear, definable means for disclosing more information on its trade finance activities, EDC held public consultations on this issue. By year-end, EDC released its draft disclosure policy outline for review and feedback by interested parties. EDC will launch its updated disclosure policy in 2001.

EDC is also committed to developing a stronger export culture in Canada, as demonstrated by the creation of its EYE Strategy, which includes support for Junior Team Canada and a national scholarship program. EDC has also established a three-year partnership with the Forum for International Trade Training (FITT) to help update its export-related training programs.

customers served to 10,000 by 2004 is one of the cornerstones of EDC's strategic plan and provides a real focus to achieving the corporate vision.

EDC will establish an advisory council in 2001, made up of external stakeholders, to assist in ensuring that its strong corporate social responsibility framework remains appropriate to its mandate and the public interest at large.

EDC's employees' skills and experience, combined with their passion to learn and to challenge the status quo, make EDC tick. These traits are embedded in EDC's values. They are key to EDC's consistently high employee satisfaction index, which compares very favourably with those of other leading North American firms.

In 2001, EDC will continue investing in leadership and technical training to increase organizational effectiveness.

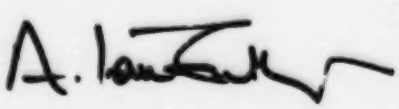
Focus on the future

EDC will continue to execute its public policy role using the best of private sector methods. Its corporate objective of creating and delivering capacity, capability and opportunities in support of Canadian companies pursuing international business will continue to be achieved through prudently managing higher levels of risk in up to 200 markets, and providing innovative services – often in partnership with private sector players – to keep Canadian exporters and investors competitive in world markets.

EDC will continue to invest in people, technology and processes to enable it to leverage and expand its business development reach, market knowledge and financial solutions. Increasing the number of

EDC houses the largest pool of trade finance skills under one roof in Canada, and it must continue to attract, retain and motivate this important Canadian resource. In 2001, EDC will continue investing in leadership and technical training to increase organizational effectiveness. We are working towards becoming a true employer of choice in our field, to best provide for the increasingly demanding needs of our growing customer base.

EDC's people are its customers' best allies in the global marketplace. On behalf of management, I would like to again publicly acknowledge their exceptional performance. Their skills and passion for EDC's mandate are a veritable "brain gain" for Canada.



A. Ian Gillespie
President and Chief Executive Officer

Message from the Chairman

Patrick J. Lavelle
Chairman of the Board of Directors

The year 2000 produced continued growth and outstanding results for EDC. Consequently, we have attracted more attention and scrutiny than at any time in our 56-year history. We welcome and have encouraged the interest in our activities.

The mandated Parliamentary review initiated two years ago by the Minister for International Trade raised important issues – environmental standards, transparency and human rights – that are very much on the future agenda for our shareholder, the Government of Canada, for the Corporation, and for similar agencies worldwide.

EDC operates as one of Canada's largest Crown corporations, protecting the commercial privacy of its growing customer base, while ensuring that the shareholder's views are firmly taken into account in the decisions taken by management and the Board of Directors.

To improve the Corporation's flexibility and to reduce its risk exposure, we have implemented enterprise-wide risk management after a thorough review of the Corporation's risk management policies. We have enhanced incentive pay for employees and created an EDC pension plan. We have also approved increased financial resources to improve our information technology and other systems to ensure that customers have on-line and real-time access to EDC's programs in the future.

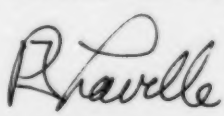
Our corporate governance policies and ethical standards are leading-edge judged against others in the private and public sectors. The Auditor General's review of EDC's environmental framework, first introduced in 1999, will be completed in early 2001. EDC's 1999 annual report won the Auditor General's Award for Excellence in Annual Reporting, confirming an already high level of accountability in our financial reporting. We will make further improvements in the area of disclosure practices in 2001. We support the human rights policies of the Government of Canada.

This year, EDC has reported record level profits at $194 million. This healthy return on assets enables the Corporation to function without government appropriations and to take on additional risk, while providing more services to exporters and investors. In addition, EDC has conservative reserves of $549 million for 2000 set aside for possible future losses.

As Chairman, I am indebted to the management and employees of EDC for their commitment to the Corporation's continued progress.

The directors on the Board play an integral and valued role in overseeing the Corporation and maintaining a strong governance structure. EDC Board members William Blundell, Raymond Setlakwe, Dennis Wood and Joy Kane retired from the Board in 2000. We thank them for their counsel. We also welcomed newest Board member Dominique Vachon, Vice-President and Chief Economist of the National Bank of Canada.

In a world where change is a constant, our goal is to see EDC continue on its path to becoming a recognized leader in providing groundbreaking trade finance services for Canadian exporters and investors.



Patrick J. Lavelle
Chairman of the Board of Directors

Performance Against Objectives*

Strategic Objectives and Results 2000		Strategic Objectives 2001
EDC in a Leadership Role		**EDC in a Leadership Role**
Establish a strong reputation for corporate social responsibility	**Results:**	Expand on EDC's corporate social responsibility practices
• Take a leadership role in the adoption of environmental review standards	▸ EDC's environmental review framework (ERF), in place since 1999, was found by an independent consultant to be best-in-class. EDC has taken an active role at the OECD to establish common approaches among participants with respect to environmental issues. Also, EDC concluded a significant partnership with the Canadian Environment Industry Association (CEIA) to strengthen support for environmental industries exporters.	• Continue to play a leading role with respect to environmental review practices, including strengthening our own ERF, and increase support to environmental exporters • Continue implementation of the EYE Strategy and develop performance measures to test effectiveness • Implement an enhanced disclosure policy and hold regular consultations with stakeholders • Create an advisory council to advise management on best-in-class practices
• Establish a disclosure framework	▸ After stakeholder consultations were held, a disclosure policy will be drafted and will be under public review for implementation in 2001.	
• Better define and implement the Education and Youth Employment (EYE) initiatives	▸ A comprehensive EYE Strategy was implemented, which included a work and scholarship program, partnerships with various youth organizations and sponsorships of youth-related events.	Evolve EDC's role in a commercial marketplace • Seek FAA reclassification • Increase visibility through marketing and communications efforts • Build on the new corporate look and feel
• Develop a plan to incorporate human rights into our country risk assessments	▸ The Department of Foreign Affairs and International Trade (DFAIT) and EDC worked on improving a system to provide guidance to EDC on foreign policy in general and human rights issues in particular.	
Implement the new corporate identity and branding to more accurately reflect our dynamic and commercial nature	▸ The new corporate look and feel was implemented, launched with a national TV campaign in January. The name and logo conversion require legislative amendment not concluded in 2000.	

Ron Dahms
Senior Vice-President, Business Development

** Initial 2000 targets were set in the fall of 1999 in the context of developing EDC's Corporate Plan. Management subsequently set new operational targets for 2000 for some of the measures, based on 1999 year-end results. Targets for 2001 are based on the 2001–2005 Corporate Plan.*

Strategic Objectives and Results 2000

Capture Opportunities for Canadian Companies

Support a growing number of companies selling or investing abroad by providing the products and services required to meet their needs	**Results:**
• Increase the number of customers served to 5,700 • Increase the number of SMEs served to 5,015	▸ EDC served 5,679 customers in 2000, an increase of 10 per cent over 1999. Of these customers, 5,081 were small- and medium-sized exporters, a 12 per cent growth over 1999. Notably, the number of **new** emerging exporters served increased to a total of 675 in 2000, our most successful year to date in serving this important customer segment.
• Achieve a retention rate of 84 per cent of prime insurance customers	▸ An impressive 88 per cent retention rate of prime insurance customers was achieved.
• Achieve a customer satisfaction index of 80.0	▸ EDC continues to enjoy strong support and satisfaction from its customers. This year, EDC achieved a customer satisfaction index of 79.6 per cent.
Provide an increasing level of support to Canadian companies to help them compete internationally	**Results:**
• Increase the volume of business supported by EDC to $45 billion	▸ 2000 was yet another record year for EDC as it concluded $45.4 billion in business volume, an increase of 13 per cent over 1999.*
• Increase the volume of business in developing countries to $11.25 billion	▸ Business in developing countries, a key strategic focus for EDC, increased by seven per cent to $10.5 billion.

**Includes $4.7 billion in domestic volume, of which $525 million is underwritten on London Guarantee's books.*

Strategic Objectives 2001

Capture Opportunities for Canadian Companies

To serve more customers, EDC must identify new lines of business while nurturing its existing customer base

- Increase the number of customers served to 6,250
- Increase the number of SMEs served to 5,500
- Target the export-ready market, cultural and environmental exporters and women entrepreneurs
- Achieve a customer satisfaction index of 80.0
- Increase partnerships and alliances to reach a wider base of customers
- Introduce e-business initiatives

Provide an increasing level of support to Canadian companies to help them compete internationally

- Build the volume of business supported by EDC to $45 billion excluding domestic. This represents an 11 per cent increase.
- Increase the volume of business in developing countries to $12 billion

Strategic Objectives and Results 2000

Capture Opportunities for Canadian Companies

Expand EDC's network of partners to create and strengthen capacity in the private sector

	Results:
• Pursue a partnership that will allow for a seamless delivery of both domestic and international credit insurance for our customers	▸ EDC signed a new strategic alliance with London Guarantee that provides "one-stop shopping" access to both export and domestic receivable insurance.
• Identify and pursue partnering opportunities with other financial players	▸ EDC expanded its relationships with insurance brokers and combined forces with Canadian banks to support a number of projects abroad. In total, eight new partnership arrangements were concluded.

Financial Health

Generate an adequate rate of return to support future risk taking

	Results:
• Net income of $146 million	▸ EDC achieved a net income of $194 million.
• Financial Sustainability Ratio (FSR) of 14.9 per cent	▸ EDC achieved an FSR of 14.9 per cent.
• Internal Efficiency Ratio of 14 per cent	▸ The Internal Efficiency Ratio came in at 13.6 per cent.
• Return on Equity (ROE) of 7.5 per cent	▸ The result on ROE was 9.7 per cent.
• Further develop credit and market risk management processes	▸ An Enterprise Risk Management (ERM) framework was developed and introduced.

Strategic Objectives 2001

Capture Opportunities for Canadian Companies

Develop partnerships to strengthen Canadian capacity in the private sector

- Cultivate relationships with brokers
- Create financing opportunities with Canadian financial institutions
- Build a bank relationship network

Financial Health

Manage financial risks to ensure an adequate rate of return to support future business

- Net income of $295 million
- FSR of 14.6 per cent
- Internal Efficiency Ratio of 16.5 per cent
- ROE of 12.6 per cent
- Continue enhancing our ERM framework

Strategic Objectives and Results 2000

Internal Readiness

Strengthen internal capabilities to enable EDC to deliver capacity and opportunities

	Results:
• Focus on employee retention, targeting a voluntary turnover rate under 10 per cent	▸ The turnover rate came in at 9.2 per cent.
• Provide an average of five training days per employee in 2000	▸ On average, employees received five days of training.
• As part of our Leadership Development program, offer leadership workshops to all leaders, develop a leadership competency framework and a succession planning process	▸ Some 93 leaders attended leadership workshops. Two leadership conferences were held. ▸ A competency framework was developed and a pilot conducted in 2000 for validation. ▸ A leadership continuity review was conducted for all leadership positions in 2000 and the succession planning process was strengthened.
• Create an EDC pension plan	▸ EDC implemented its new pension plan.
• Redesign the employee opinion survey (EOS)	▸ The EOS was redesigned this year and administered in the fall. A response rate of 90 per cent was recorded versus last year's 70 per cent. Higher scores were registered with respect to each of the targeted issues from the previous year's survey. ▸ A recognition program was developed and implemented to identify and celebrate those employees who best demonstrate EDC's values.

Susanne Laperle
Senior Vice-President, Human Resources (joined EDC in February 2001)

Optimize the use of technology

	Results:
• Continue to develop our e-business strategy	▸ EDC Direct was launched with added value services such as on-line credit approvals, economic summaries and Oxford Analytica.
• Increase use and functionality of EDC Direct, our Web-based customer access system	▸ ID- and CD-ROMs were developed to showcase EDC's solutions and value-added expertise.
• Design and run a pilot of Globex, an enhanced support system for the management and administration of short-term credit insurance policies	▸ The business case for Globex was successful and the new system will now be fully developed.
• Proceed to production phase for our new treasury management system (Integral) and new loans administration system (ACBS)	▸ Both ACBS and Integral went into production mode in 2000 and became systems of record for the Corporation.

Strategic Objectives 2001

Internal Readiness

Strengthen internal capabilities to enable EDC to deliver capacity and opportunities

- Maintain voluntary turnover rate at less than 10 per cent
- Invest an average of five days per employee in training in 2001
- Fully roll out the leadership competency framework and 360° feedback assessment tool and align training to needs
- Review employee benefits and work/life programs
- Target an improvement in key areas with respect to recently completed employee survey

Invest in technology to serve more customers, more efficiently

- Capitalize on high growth opportunities in e-business
- Enhance "self-service" to short-term customers by automating key aspects of policy administration
- Evolve our systems infrastructure
- Begin implementation of Globex System
- Complete Phase 2 of MBC (MLTFS Business Centre), Integral and ACBS projects

Serving Small Business Better

EDC's financial services are designed to help small- and medium-sized enterprises (SMEs) extend their reach and influence around the world. In 2000, EDC focused on finding better ways to service SMEs through new marketing initiatives, technological innovation, and partnerships and alliances with other financial institutions. This critically important business sector accounts for almost 90 per cent of the total number of customers EDC serves.

The numbers tell the story: EDC supported $7.5 billion in exports by 5,081 SMEs to 154 countries. A total of 2,441 of these customers were served through EDC's Emerging Exporters Team (total insured accounts receivable up to $1 million), including 675 smaller businesses that took EDC's accounts receivable insurance for the first time. Also, small- and medium-sized capital goods and service exporters supported 82 transactions in 17 countries using EDC's SME financing services.

EDC continues to expand its partnerships and alliances with various financial institutions in order to maximize the variety of financial services available to smaller businesses.

Rolfe Cooke
Senior Vice-President, Short-term Financial Services

- In 2000, EDC entered into an agreement with London Guarantee Insurance Company to deliver domestic accounts receivable insurance under a joint policy.
- NORTHSTAR Trade Finance Inc. – a strategic EDC partner in the medium-term buyer financing field – helped 34 exporters conclude $49.9 million in smaller capital goods sales to 16 countries.
- The Master Accounts Receivable Guarantee Program (MARG) supports SMEs by encouraging banks to increase operating line financing – 146 customers served in 2000.
- Scotia America's Capital Equipment Purchase Program provides medium-term buyer financing for smaller transactions in selected Latin American and Caribbean markets.
- Financing with EDC insurance support is also now available to smaller exporters through the Export Ease Plus Program with Montcap Financial Corporation, Natexport, TD Bank, i Trade Finance Inc., and Actrade Capital Canada as well as through traditional bank support.
- Receivables management and EDC insurance are available through the original Export Ease Program with Accord Business Credit.

Support for SMEs has also been expanded through electronic product and service delivery. Customers can now source on-line buyer credit approvals and access updated country economic reports through EDC's Web site. Planned for introduction in the first half of 2001 are enhanced credit information; EDC's opinion on the insurability of individual buyers; and on-line processing of performance and bid security insurance. Eventually, many other products and services suited to an e-commerce environment will be provided on-line.

No company is too small to export and no exporter is too small for EDC. In 2000, the Corporation increased awareness of its financial services to a growing number of smaller businesses through expanded direct mail, advertising and outbound telemarketing campaigns, and a renewed emphasis on generating new customer referrals.

SME SCORECARD

	Dec. 31, 2000	Target	% Achieved	Dec. 31, 1999
SME – Customer count (direct and indirect)	**5,081**	5,016	101%	4,550
SME – Business volumes ($ millions)*	**7,508**	7,200	104%	6,122
Emerging Exporters (EE) – No. of new customers**	**675**	660	102%	624
EE – Avg. credit approval turnaround time	**1.9 days**			1.5 days

** Includes $1.2 billion in domestic volume, of which $171 million is underwritten on London Guarantee's books.*

*** Results for the EE Team are based on direct customers only.*

SMEs AS A PERCENTAGE OF EDC'S CUSTOMER BASE

- SMEs – 89%
- Large Exporters – 11%

SME VOLUME BY GEOGRAPHIC MARKET

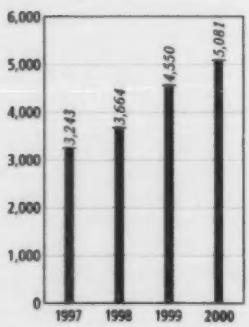
- North America/Caribbean* – 78%
- Europe – 11%
- Asia/Pacific – 6%
- South America/Central America – 3%
- Middle East/Africa – 2%

** Includes Mexico*

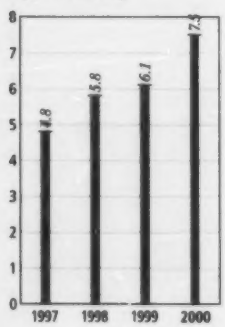
SME PRODUCT USAGE

- Short-term Insurance – 93%
- Financing – 3%
- Contract Insurance and Bonding – 3%
- Political Risk Insurance – 1%

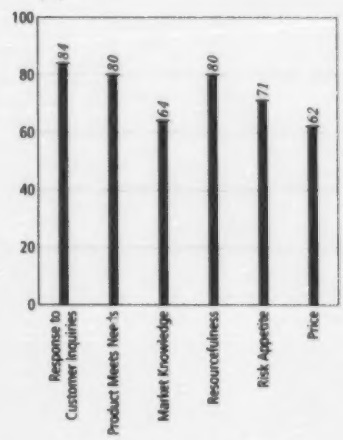
NUMBER OF SME CUSTOMERS



VOLUME SUPPORT FOR SMEs *($ in billions)*



SME SERVICE ATTRIBUTE RATINGS *(%)*



Committed to Corporate Social Responsibility

At EDC, we see corporate social responsibility (CSR) as an integral part of doing business. Just as innovative trade finance solutions are crucial to business growth, CSR practices help establish EDC's integrity and viability as an organization. These practices have four strategic thrusts: conducting business ethically, considering the environmental impacts of proposed transactions and promoting environmental improvements, strengthening public accountability, and increasing community investment, particularly related to education and youth employment.

As a Crown corporation, EDC will continue to conduct its activities in a transparent and socially responsible manner, to fully preserve the strong reputation that Canada holds internationally and at home. Following is an overview of the progress EDC has made in its key CSR practices during 2000, and its ongoing initiatives.

Conducting business ethically

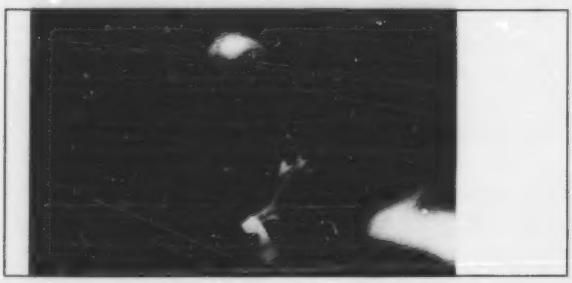
EDC aims to ensure that all employees adhere to the highest standards of ethical conduct. The *Code of Business Ethics* covers EDC's commitment to legal and ethical conduct, the environment, human rights and prohibitions against bribery and corruption. The *Code of Conduct* governs ethical standards, conflicts of interest, confidential information, insider trading and related matters. All EDC employees, directors and officers renew their understanding and compliance with the *Code of Conduct* through an annual review and sign-off.

In 2000, responsive to Canadian legislation and the OECD initiative related to combatting bribery, EDC began examining how to better ensure that it does not knowingly or unknowingly support a transaction that involves the offer or giving of a bribe. As a result of its review, EDC will include various provisions against corruption in its transaction documentation and take other measures designed to protect itself and its employees, and to comply with international commitments.

On international human rights issues, EDC recognizes and abides by foreign policy and practices formulated by the Government of Canada. EDC receives information on these issues from the Department of Foreign Affairs and International Trade. In 2000, EDC worked closely with Foreign Affairs to increase the timeliness and quality of this information, enabling EDC to better assess the human rights impact of specific activities. This is an ongoing commitment by both parties.

Protecting the environment – a strategic imperative

EDC addresses environmental issues on three levels: by assessing and mitigating the environmental effects of proposed transactions, by advocating responsible environmental practices internationally, and by encouraging exports of Canadian environmental solutions – expertise, technology and services.



Eric Siegel
Executive Vice-President, Medium- and Long-term Financial Services

EDC considers the environmental risks and impacts of proposed transactions using guidelines set out in its *Environmental Review Framework* (available at www.edc.ca). This process aims to ensure that all projects financed or insured by EDC adhere to widely accepted environmental practices for the industry concerned.

EDC's Engineering and Environment team has contributed to better environmental performance on several international projects; typical examples include assisting a major hydroelectric power utility to

develop an environmental emergency response plan, and requiring the installation of equipment to decrease the generation of nitrous oxides in several gas-fired power plants.

In 2000, EDC strengthened its training of financial staff to improve their ability to flag environmental and social concerns in proposed transactions. These are then reviewed by a skilled team of engineers and environmental specialists, the largest such team among export credit agencies (ECAs).

In response to a recommendation from the Parliamentary review of the Export Development Act, EDC is undergoing an audit of its environmental review practices by the Auditor General of Canada and the results will be made public in 2001.

Internationally, EDC is a leading proponent, among ECAs around the world, of establishing common approaches to assess and mitigate the environmental impacts of projects. In 2000, EDC was invited to several international gatherings of financial institutions and ECAs to share its expertise on this subject.

EDC continues to enhance its support to Canadian exporters of environmental goods and services, and to the industry as a whole. A milestone was EDC's sponsorship of GLOBE 2000, North America's major environmental conference. As well, EDC and the Canadian Environment Industry Association (CEIA) have undertaken a joint survey, which will enable EDC to better adapt its support to the needs of the industry, with particular focus on small- and medium-sized enterprises.

Strengthening public accountability

EDC is committed to establishing clear, definable means for disclosing more information on its business activities to the public, while at the same time ensuring commercial confidentiality for its customers. In 2000, EDC began work to enhance its policy, thereby strengthening its disclosure of information relevant to the public.

Public consultations on information disclosure, conducted by the Environics Research Group, were completed in September 2000. The results were made public through EDC's Web site (www.edc.ca), followed by the release of a draft policy outline for review and feedback by interested parties. The disclosure policy will be implemented in 2001.

EDC has also identified appropriate stakeholders, including business, civic (public and non-governmental) and academic leaders, with whom it may regularly engage on specific issues. This may include general information sessions and consultations on topical issues and concerns. Two information sessions for stakeholders were held in 2000.

Investing in education and youth – EDC's cause of choice

The goal of EDC's Education and Youth Employment (EYE) Strategy is to partner with educational institutions and key stakeholders to build an export culture in Canada, while fostering learning and employment opportunities for youth.

In 2000, EDC launched an International Studies Scholarship program that provides $1 million over three years to students pursuing undergraduate or graduate studies in business or economics with a focus on international business, international relations or finance. The scholarships also offer the recipients first-hand experience in their fields through an apprenticeship at EDC. The first 18 recipients were announced in fall 2000.

Throughout the year, EDC increased its partnerships with respected Canadian educational institutions and trade-focused youth organizations, with activities ranging from supporting case-study research to sponsoring Junior Team Canada regional training centres. EDC has also hired close to 50 students for summer and co-op work placements, providing them with valuable work experience in international trade finance. EDC will continue to increase its support for education and youth employment in 2001, by welcoming the scholarship winners for work terms at EDC along with its regular summer student employees.

EDC is committed to establishing clear, definable means for disclosing more information on its business activities to the public, while at the same time ensuring commercial confidentiality for its customers.

Canada: The Global Trader

International trade is the most basic building block of national prosperity. It is through the exchange of goods and services that nations can specialize in areas of economic activity for which they are best suited, thereby maximizing the employment, incomes and general well-being of all of their citizens.

Canada's economic history is testament to this, as international trade has always played a greater role here than in any other major economy. While the Canadian economy represents only about two per cent of the global economy, Canada accounts for nearly five per cent of world exports. Its share of global trade has risen steadily in recent years, and the ratio of exports to total gross domestic product (GDP) in Canada is now around 43 per cent.

In the past, countries relied heavily on tariffs and other trade restrictions to further their international interests. Today, the universal benefits of unfettered international trade are much more widely appreciated, although pockets of protectionism remain. As a result of significant progress made in liberalizing trade, the international marketplace has become much more competitive. Today, most Canadian companies must look to the global marketplace in order to survive, because concentrating on the Canadian market alone will not permit them to expand their business to the point where they can compete with larger foreign companies.

EDC – A trade facilitator

Helping large and small Canadian companies alike to compete on the world stage is what EDC's mandate is all about. International trade is risky, and it requires financial capacity that is often lacking because of those risks. EDC was created to help companies manage those risks and to increase the international finance capacity available to Canadian companies. By enhancing Canada's export capacity, EDC helps companies create and maintain employment and generate profits.

EDC serves Canadian exporting companies in a variety of ways, by providing basic credit insurance, contract insurance and political risk insurance and by financing foreign purchases of Canadian goods and services. Each type of transaction has its own implications for the Canadian economy. In 2000, EDC undertook $45.4 billion n transactions on behalf of Canadian companies. This represents approximately 10 per cent of all of Canada's exports last year. And, given that about half of Canada's exports take place between Canadian and foreign sub-units of the same firm, this means that EDC facilitated a fraction approaching one-fifth of Canada's final exports in 2000.

Most Canadian companies that use EDC's services are small- and medium-sized enterprises (SMEs). EDC worked with 5,081 SMEs in 2000, bringing its total customer count to 5,679, a 10 per cent increase over 1999. The total volume of SME transactions amounted to just over $7.5 billion in 2000, up from $6 billion in 1999, and their share of total business volume increased on the year.

Delivering benefits to Canadians

EDC's activities are making a significant contribution to Canadian prosperity. A good measure of this contribution is its impact on Canada's GDP, which represents the total of all of the income generated in Canada. Most goods and services produced in Canada for export make use of imports somewhere in the production process, and this must be netted out in order to estimate EDC's contribution. Taking this into account, EDC estimates that the exports it facilitated in 2000 helped generate 3.9 per cent of Canada's total GDP in 2000, up from 3.7 per cent in 1999.

International Trade Minister the Honourable Pierre Pettigrew addresses EDC employees.

A significant by-product of EDC's activities is the accompanying increase in employment and incomes. This, too, varies considerably across sectors of the Canadian economy. Taking these differences into account, we estimate that the exports facilitated by EDC in 2000 supported approximately 480,000 person-years of employment, up 17 per cent from 1999, and 3.2 per cent of total employment in Canada.

Higher export sales also help companies finance research and development (R&D) in Canada. By correlating the sectoral breakdown of EDC's business with a similar categorization of R&D spending in Canada, we have constructed an index measuring the R&D intensity of our activities. In 2000, the average level of R&D intensity across the spectrum of EDC's business increased by nearly 27 per cent compared with 1999. This is because R&D-intensive sectors such as telecommunications, aerospace, computer services and software were Canada's export leaders.

These estimates of the economic benefits of EDC's operations are conservative because they do not include any second-round effects. An increase in a company's export sales boosts profits, dividends and salaries, and these increases finance more spending by companies and individuals in the future, which creates even more benefits. Similarly, EDC's participation in a financing consortium or in an insurance arrangement often acts as a catalyst to the participation of other financial intermediaries. This means that the ultimate size and potential of a transaction, in terms of Canadian export sales, is larger than indicated by the business volumes that EDC records.

The bottom line is that EDC helped a record number of Canadian companies manage a record level of international financial risks in 2000. Its business volume in higher-risk markets was $10.5 billion in 2000, up seven per cent over the previous year, and involved some 140 countries. EDC also began making its economic and political risk analyses of individual countries available to customers on-line in 2000, thereby helping companies to identify risks and opportunities from their own individual perspectives.

The outlook for 2001

The growth in demand for EDC's services in 2000 was driven mainly by the need for increased export finance capacity. In fact, with the world having recovered almost fully from its series of financial crises through Asia, Russia and Latin America during 1997–99, the risks associated with international trade eased noticeably in the first half of the year.

Global GDP growth averaged nearly five per cent in 2000, well above its historical average. This boosted both interest rates and oil prices, and the consequent signs of a moderation in economic growth began to emerge clearly in the second half of the year, particularly in the United States. Stock markets slumped, credit spreads widened and the international environment became more threatening, raising concerns of a significant global slowdown for 2001.

Interest rates have already begun to decline in response to these conditions. Presently, it appears likely that world economic growth will moderate but remain solid in 2001, at around 3½ per cent. Most of the moderation in growth will be in the United States, which will slow to around two per cent growth, whereas the European and Canadian economies should still post a growth rate in the range of three per cent or better. Under these conditions, the world's major currencies will probably continue to realign themselves, with the U.S. dollar softening against the Canadian dollar, and especially the Euro, as a consequence.

Presently, it appears likely that world economic growth will moderate but remain solid in 2001, at around 3½ per cent. Most of the moderation in growth will be in the United States.

Although the emerging moderation in world economic growth has pulled oil prices back from their peaks, higher energy costs are posing difficulties for some energy-intensive economies, especially in Asia. Tensions have begun to show in some countries, such as Thailand and the Philippines. However, the large Asian economies are much stronger now than they were in 1997, given the extensive reforms that have taken place since then. This is true for China, India, South Korea, and, albeit haltingly, Japan. Asia's economic foundations are therefore strengthening, and the prospect of lower oil prices points to a solid year for the region in 2001, with average growth of four to five per cent.

Latin America has recovered from its recession, and growth in the region should be around four per cent in 2001. Countries maintaining sound macroeconomic policies and flexible exchange rates – namely Brazil, Chile and Mexico – are leading the region in terms of economic growth, and this trend will continue in 2001. Argentina will lag behind the region as a whole, as maintenance of its currency peg has pushed its cost structure far above those of its regional competitors. Stronger oil prices are benefiting the exporters – Argentina, Colombia, Ecuador, Mexico and Venezuela – but these effects will be less powerful in 2001 now that prices have come off their peaks.

Economic activity is also recovering in Central and Eastern Europe, and this will continue on the back of core Europe's solid outlook. Russia's economy is highly dependent on oil and other commodities, and higher prices have built a new platform for economic growth. Whether that situation prompts the appropriate reforms to the underlying economy remains unclear. Meanwhile, East European countries aspiring to become members of the European Union are performing very well, including the Czech Republic, Hungary, Poland, Slovakia, Slovenia and Estonia.

Stronger commodity markets have also improved the outlook for many Middle Eastern and African economies. GDP growth in the Middle East should average around four per cent in 2001. Average growth in Africa will be even stronger, as the stronger world economy meets with significant structural reforms in such countries as Cameroon, Ghana, Mozambique, Tanzania and Uganda. South Africa's economy will gather momentum in 2001. The situation has improved in Nigeria as well, but wholly on the back of higher oil prices. Without significant reforms, the economy will suffer as oil prices recede.

Canadian exports to post solid growth in 2001

This global survey paints a reasonably positive picture for Canadian exporters in 2001. Overall, export sales growth of about four to five per cent is expected in 2001, after growth in 2000 of around 15 per cent – a figure that was inflated by skyrocketing energy prices. Although growth in exports to the United States will moderate, sales should still be four per cent higher than in 2000, supported by continuing investment in new technology. Meanwhile, Canada's sales to most other markets should post double-digit growth rates, offsetting some of the slowdown in U.S. sales.

Moderating sectors will be those targeted at the U.S. consumer – lumber, assembled automobiles, and other consumer durables will bear the brunt of the slowdown. Energy and other commodities will post solid growth, but with softer prices in most cases. The stronger export sectors will be agri-food, chemicals, plastics, fertilizers and, especially, high-tech capital equipment. The solid global investment undercurrent will continue in 2001, supporting Canada's sales in the telecommunications, environmental technologies, aerospace, computer and other machinery and equipment sectors.

Increased demand for EDC's services

The outlook for 2001, therefore, suggests that there will be continued growth in demand for EDC's services this year. The volume of global international trade will probably grow by six to eight per cent, assuming the world economy remains in good health, and foreign direct investment flows will also remain strong. In addition, slower growth in Canadian exports to the U.S. economy, coupled with strong growth in sales to other regions, will result in a business mix that generally makes more intensive use of EDC's services. Furthermore, the macroeconomic environment will be one in which many businesses will be concerned about downside risks, in stark contrast with the situation in 1999–2000, when the business outlook appeared especially bright. When coupled with the likelihood that exchange rate volatility will be relatively high, 2001 will probably be perceived as a riskier setting for international business than last year.

EDC is committed to helping Canadian companies mitigate those risks so that export sales continue to underpin our economic growth. EDC has demonstrated its appetite for international risk repeatedly in the past, including during the Asian crisis of 1997, which prompted many private financial intermediaries to withdraw from the marketplace. Such episodes underscore the need for a financial institution devoted exclusively to the financial needs of Canadian exporters.

Slower growth in Canadian exports to the U.S. economy, coupled with strong growth in sales to other regions, will result in a business mix that generally makes more intensive use of EDC's services.

Stephen Poloz
Vice-President and Chief Economist

Team Work

EDC delivers its products and services through industry sector-based business teams. These teams cover the landscape of Canadian industrial capabilities from advanced technology and telecommunications to agri-food and mining. The business teams work with exporters and investors to create financial solutions that meet customers' specific needs.

Several product teams provide in-depth expertise to the sector-based teams. The Project Financing Team provides limited-recourse financing to address exporters' needs for flexible and innovative financing. The Political Risk Insurance Team delivers leading-edge support to investors, exporters and financial institutions. The Equity Team provides supplemental, medium-term equity on a commercial basis for transactions that generate direct, quantifiable benefits to Canada. The Contract Insurance and Bonding Team delivers tailored commercial risk management solutions and indirect working capital support.

Executive Management Team

A. Ian Gillespie
President and Chief Executive Officer

Peter Allen
Senior Vice-President and Chief Financial Officer

Rolfe Cooke
Senior Vice-President, Short-term Financial Services

Ron Dahms
Senior Vice-President, Business Development

Susanne Laperle
Senior Vice-President, Human Resources

Gilles Ross
Senior Vice-President, Legal Services, and Secretary

Eric Siegel
Executive Vice-President, Medium- and Long-term Financial Services

Management Representatives

Jim Brockbank
Risk Management Office

Jim Christie
Western Region

Jim Curley
Short-term Credit

Don Curtis
Industrial Equipment

June Domokos
International Markets

Peter Foran
Information Technologies

Ruth Fothergill
Ontario Region

John Gagan
Corporate Finance and Control

Pierre Gignac
Insurance and Loan Services

Peter Hepburn
Engineering and Professional Services

Glen Hodgson
Government and International Relations

John Hutchison
SME Services

Louise Landry
Corporate Performance and Communications

Marc Leduc
Legal Services

Marie MacDougall
Treasury

Mike McLean
International Markets

Keith Milloy
Short-term Insurance

Mike Neals
Marketing

Sherry Noble
Structured Finance

Kevin O'Brien
Transportation and Equity

Brian Pearce
Internal Audit and Evaluation

Stephen Poloz
Economics

Ed Simac
Information Systems

Henri Souquières
Quebec and Atlantic Region

2000 Financial Review

Management's Discussion and Analysis
- Operating Highlights 20
- Risk Management 26

Financial Reporting Responsibility 42

Auditor's Report 43

Consolidated Financial Statements 44
- Consolidated Balance Sheet 44
- Consolidated Statement of Income and Retained Earnings 45
- Consolidated Statement of Cash Flows 46
- Notes to the Consolidated Financial Statements 47

Five-Year Review 62

Management's Discussion and Analysis

OPERATING HIGHLIGHTS

Income Statement Discussion

NET INCOME

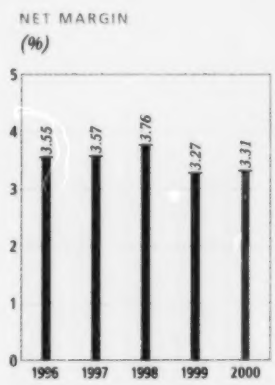
Net income reported for 2000 was $194 million, an increase of $76 million over the 1999 level of $118 million. Volume increases in both financing and insurance generated a $108 million increase in net interest income and an $11 million increase in insurance premiums and guarantee fees. These results were partially offset by the increase in the provision for credit losses due to portfolio growth. Administrative expenses were higher mainly as a result of increased human resources, technology and occupancy costs required to manage higher business volumes.

The following table outlines net income and return on shareholder's equity over the last five years:

($ in millions)	2000	1999	1998	1997	1996
Net income	**194**	118	135	128	112
Shareholder's equity	**1,992**	1,798	1,680	1,545	1,417
Return (%) on shareholder's equity	**9.7%**	6.6%	8.0%	8.3%	7.9%

NET INTEREST INCOME

The 2000 net margin of 3.31%, which is net income expressed as a percentage of average performing assets employed, increased by 4 basis points from the 1999 level of 3.27%. This increase is partly due to a shift in foreign exchange translation from a loss of $12 million in 1999 to a gain of $1 million in 2000, which accounts for an increase of 6 basis points. An additional 3 basis points is due to a $7 million gain on sale of shares during the year. In 2000, Peru sovereign loans were performing for the full year compared with nine months in 1999, representing an extra three months of non-accrued capitalized interest being amortized into income, or an increase of 4 basis points. A decline of 4 basis points can be attributable to a proportionately higher weighting of marketable securities and investments to total average assets, which earn lower yields relative to loan assets and proportionately higher funding costs. Another decline of 4 basis points was caused by the reversal of interest on loans made impaired and other interest rate changes. EDC did not earn debt relief income in 2000, contributing to a further decline of 1 basis point.

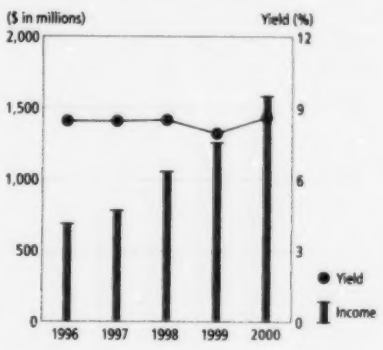


($ in millions)	2000	1999	1998	1997	1996
Average gross loans receivable	**19,744**	17,331	14,286	11,129	10,073
Average cash, marketable securities and investments	**3,215**	2,758	1,908	1,759	1,701
Less: average impaired loans	**1,311**	1,468	1,861	1,869	1,919
Total average assets employed	**21,648**	18,621	14,333	11,019	9,855
Interest income:					
Loans	**1,585**	1,258	1,055	782	688
Marketable securities and investments	**197**	146	126	92	99
Total interest income	**1,782**	1,404	1,181	874	787
Interest expense	**1,066**	796	642	481	437
Net interest income	**716**	608	539	393	350
Net margin	**3.31%**	3.27%	3.76%	3.57%	3.55%

Interest Income – Loans

For 2000, loan interest income was $1,585 million, an increase of $327 million, or 26%, from the level of $1,258 million in 1999. The performing gross loans receivable averaged $18,433 million in 2000 (1999 – $15,863 million) with an average yield of 8.60% (1999 – 7.93%). In 2000, disbursements exceeded repayments by $2,776 million, which had the impact of increasing the average performing loans by $2,570 million, or 16%, over 1999.

INTEREST INCOME - LOANS

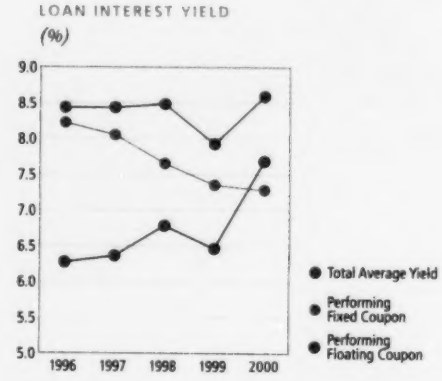


Components of change in interest income – loans from prior year

($ in millions)	
Volume increases	174
Rate increase	123
Increase in other loan interest	30
Net change in interest income – loans	$327

Performing fixed rate loans receivable averaged $7,873 million in 2000 (1999 – $ 7,005 million) with an average coupon yield of 7.28% (1999 – 7.35%), earning interest of $573 million (1999 – $515 million). The coupon on performing fixed rate loans receivable decreased slightly over last year. This was due to the repayment of older loans earning higher interest rates reflective of previous periods, with current loan disbursements which carry lower interest rates. Disbursements during the year yielded 7.72% while existing loans repaid carried a yield of 8.31%.

LOAN INTEREST YIELD



The performing floating rate loans receivable averaged $10,560 million in 2000 (1999 – $8,858 million) with an average coupon rate of 7.68% (1999 – 6.46%) earning interest of $811 million (1999 – $572 million). U.S. dollar LIBOR averaged 6.53% in 2000, an increase of 1.14 basis points over the 1999 average. The rise in U.S. dollar LIBOR increased floating rate interest income accordingly and led to higher yields on the floating rate loans portfolio.

New fixed rate loans signed in 2000 yielded 7.81% compared with 7.35% in 1999. New floating rate loans signed in 2000 yielded 2.22% over LIBOR compared with 1.86% in 1999.

The following table analyzes loan interest income as a percentage of the average loans receivable:

($ in millions)	**2000**	1999	1998	1997	1996
Gross loans receivable:					
Average performing fixed rate	**7,873**	7,005	5,906	4,685	4,281
Average performing floating rate	**10,560**	8,858	6,519	4,575	3,873
Average performing gross loans receivable	**18,433**	15,863	12,425	9,260	8,154
Interest income – loans:					
Performing fixed rate interest	**573**	515	452	377	352
Performing floating rate interest	**811**	572	442	291	243
Other loan interest	**201**	171	161	114	93
Total interest income – loans	**$1,585**	$1,258	$1,055	$782	$688
Yields – performing loans					
Performing fixed rate coupon	**7.28%**	7.35%	7.65%	8.05%	8.22%
Performing floating rate coupon	**7.68%**	6.46%	6.78%	6.36%	6.27%
Total loan interest yield	**8.60%**	7.93%	8.49%	8.44%	8.44%

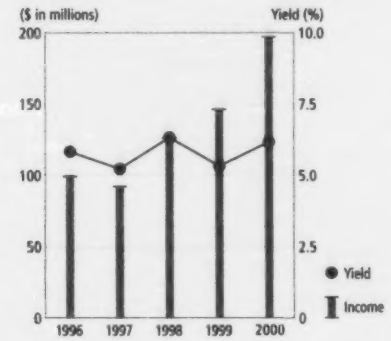
Other loan interest income comprises loan fee income and non-accrued capitalized interest (NACI) income. Total loan fee income was $113 million in 2000, compared with $96 million in 1999, a increase of $17 million. In 2000, loan prepayments caused an increase in fee income of $9 million, which did not occur in 1999. NACI revenue was $77 million in 2000, $8 million greater than in 1999. This increase is due to a full year of amortization of NACI into income for sovereign loans in Peru, which were reclassified to performing in May 1999. Also included in other loan interest income is a $7 million (1999 – nil) gain on sale of shares and cash receipts from impaired loans of $4 million in 2000 (1999 – $6 million).

Interest Income – Marketable Securities and Investments

Marketable securities and investment income increased by $51 million between 1999 and 2000. The net impact of higher overall investment volumes and an increase in the general level of interest rates account for this change.

Average investment balances (which include associated derivative contracts) increased from $2,758 million in 1999 to $3,215 in 2000. EDC maintained high investment balances at the beginning of the year to ensure the Corporation had sufficient liquidity to support its financial operations through the critical Y2K period. EDC also increased investment balances to meet large loan disbursements late in the year.

MARKETABLE SECURITIES AND INVESTMENT INTEREST INCOME



Components of change in interest income – marketable securities and investments from prior year

($ in millions)	
Volume increases	24
Rate increase	27
Net change in interest income – marketable securities and investments	$51

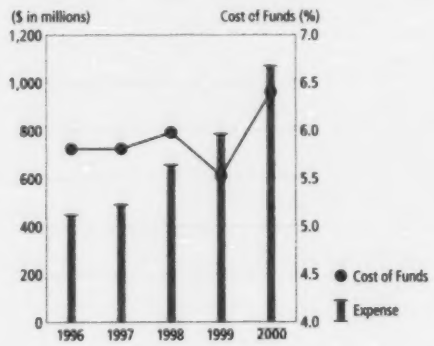
Investment yields increased from 5.29% in 1999 to 6.14% in 2000. This reflects the fact that interest rates in Canada and the United States were at higher levels during most of 2000 relative to 1999. Both the Federal Reserve Bank and the Bank of Canada increased rates by 100 basis points by the middle of the year.

Interest Expense

Interest expense increased by $270 million between 1999 and 2000. Three factors account for this change: an increase in overall debt volume, an increase in the general level of interest rates, and the impact of changes in foreign exchange rates on the translation of foreign currency balances.

The increase is primarily the result of higher borrowing requirements necessary to support elevated lending volumes and investment levels. The average balance of short-term debt increased from $3,429 million in 1999 to $3,574 million in 2000. The average balance of long-term debt also increased from $10,765 million in 1999 to $13,110 million in 2000. (It should be noted that the average balances for both short-term and long-term debt include associated derivative contracts.)

INTEREST EXPENSE (Excluding Foreign Exchange Translation Gain/Loss)



Levels of interest rates both in Canada and the United States were higher in 2000, relative to 1999. This was reflected in the average cost of funds, which increased from 5.52% in 1999 to 6.39% in 2000.

A strengthening of the Canadian dollar during 2000 reduced interest expense on foreign currency denominated debt by $8 million.

Interest expense, as reported on the income statement, includes the Corporation's foreign exchange translation gain/loss for the year. Included in interest expense for 2000 is a translation gain of $1 million (1999 – $12 million loss).

Components of change in interest expense from prior year

($ in millions)	
Volume increases	145
Rate increase	146
Foreign exchange impact on interest expense	(8)
Net change prior to foreign currency translation gain/loss	283
Change in the Corporation's foreign currency translation gain/loss	(13)
Net change in interest expense	$270

▸ INSURANCE PREMIUMS AND GUARANTEE FEES

The following table analyzes the average premium rate for insurance premiums and guarantee fees:

	2000		1999	
($ in millions)	$	%	$	%
Short-term program:				
Short-term insurance average exposure	26,822		24,862	
Premiums and fees earned	103		93	
Average short-term premium rate		0.38		0.37
Medium-term program:				
Medium-term insurance average exposure	4,492		3,240	
Premiums and fees earned	34		32	
Average medium-term premium rate		0.76		0.99
Loan guarantees				
Loan guarantees average exposure	1,825		1,795	
Loan guarantee fees earned	7		8	
Average loan guarantees fee rate		0.38		0.45

Short-term insurance premium revenue contributed $103 million, or 75% of 2000 premium receipts, an increase of 11% over 1999. This was the direct result of the growth in short-term insurance exposure, which increased by $1,960 million, or 8% over 1999.

The medium-term premium revenue for the year totalled $34 million, an increase of 6% over 1999. The average exposure in the medium-term insurance programs increased by $1,252 million, or 39% over 1999. This increase was primarily due to the growth in both the performance security and surety bond programs, which increased by $347 million and $727 million respectively from 1999 levels. The growth in the surety bond program, which carries a lower average premium rate, was the principal driver for the decrease in the average premium rate within the medium-term programs for 2000. The decrease in the average loan guarantee fee rate was driven primarily by the signing of loan guarantees with higher credit ratings, which carry lower guarantee fees.

▸ PROVISION FOR CREDIT LOSSES

The following table analyzes the expense for the provision for credit losses over the last five years:

($ in millions)	2000	1999	1998	1997	1996
Provision for credit losses pertaining to:					
Loans	381	397	313	184	190
Insurance	158	133	88	59	68
Loan guarantees	10	(7)	32	52	12
Total provision for credit losses	$549	$523	$433	$295	$270

A provision charge of $381 million (1999 – $397 million) was made to the income statement for losses on loans. Approximately $246 million (1999 – $286 million), or 69% (1999 – 72%), can be attributed to portfolio growth. The

remainder resulted primarily from increases in the impaired sovereign portfolio and increased provisioning due to downgraded credit ratings.

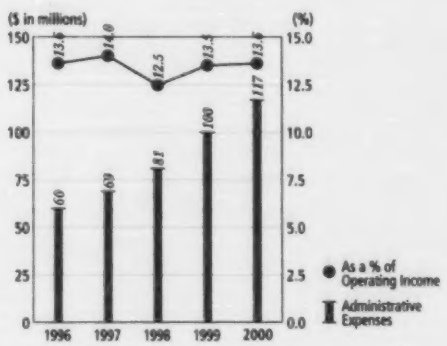
During the year, there was a $158 million charge to the income statement for the provision for insurance claims. The increase in current insurance claim provisioning levels was partly the result of the year-end actuarial allowance valuation based on continued growth in the insurance portfolio. Of the total provision for insurance claims, $62 million was due to the re-evaluation of recoverable claims that were written off in 2000 (1999 – $82 million).

A provision charge was made to the income statement for credit losses on loan guarantees in the amount of $10 million (1999 – $7 million recovery). This was the result of continued slow growth in new signings and little activity on existing guarantees.

ADMINISTRATIVE EXPENSES

Net administrative expenses for 2000 totalled $117 million, an increase of 17% from the prior year. Expenditures for salaries, benefits, technology and occupancy were higher as a result of strategic investments in technology and people in order to sustain the Corporation's growth rate. Expressed as a percentage of operating income (efficiency ratio), administrative expenses increased slightly to 13.6% in 2000, from 13.5% in 1999.

ADMINISTRATIVE EXPENSES



Corporate Plan Discussion

COMPARISON WITH 2000 PLAN

Business volumes for 2000 reached a record $45.4 billion, an increase of 13.2% over the 1999 level of $40.1 billion, and exceeded the 2000 planned volume of $42.0 billion. This increase over plan can be attributed to contract insurance and bonding surpassing plan by $1.5 billion, political risk insurance by $400 million and financing by $1.7 billion.

Loans payable decreased and loan assets increased slightly since cash and investments decreased by 36% compared with plan, mainly due to the Y2K strategy. In 1999, cash and investments increased to provide sufficient liquidity for Y2K, and in 2000 these investments were used to fund disbursements.

The 2000 net income of $194 million surpassed the 2000 Corporate Plan projection of $74 million. Net interest income exceeded planned amounts by $29 million; however, insurance premiums and guarantees fell short by $7 million. Further, the 2000 plan included additional provisions for credit losses as a result of the planned Year 2000 impact on the portfolio, which did not materialize, and loan asset growth was slower than anticipated, translating to a $96 million decrease in the provision for credit losses. Administrative expenses were below plan by $2 million.

2001 CORPORATE PLAN

The Corporate Plan projects the year 2001 business volume to remain at $45 billion, which represents export volume only, whereas the 2000 planned volume included domestic volume of $4.1 billion. The loans receivable and loans payable balances are expected to increase as a result of loans signed in 2001 and undisbursed loans with respect to signings from prior years.

The major planned income variances from the 2000 actual results are represented by higher net interest income due to the planned increased loans and liquidity portfolios and increased insurance premiums and fees. In addition, provision for credit losses is expected to decline due to a general increase in investment grade signings. Administrative expenses are expected to increase by $38 million in 2001, due primarily to a larger workforce and investments in technology.

	2001 Corporate Plan	2000 Actual Results	2000 Corporate Plan
Volume			
($ in billions)			
Financing	7.8	7.7	6.0
Contract insurance and bonding	3.8	4.2	2.7
Political risk insurance	3.5	3.2	2.8
Short-term insurance	29.9	30.3	30.5
Total	$45.0	$45.4	$42.0
Balance Sheet			
($ in millions)			
Assets			
Loans receivable	20,840	20,586	20,461
Allowance for losses on loans	2,556	2,700	2,738
Net loans receivable	18,284	17,886	17,723
Cash and marketable securities	2,317	2,187	3,416
Investments	180	170	166
Accrued interest and other assets	557	494	485
Derivative related amounts	579	253	599
Total Assets	$21,917	$20,990	$22,389
Liabilities and Shareholder's Equity			
Loans payable	18,080	17,583	18,732
Accrued interest and other liabilities	782	559	935
Allowance for claims on insurance and guarantees	568	569	686
Derivative related amounts	139	287	144
Total Liabilities	19,569	18,998	20,497
Share capital	983	983	983
Retained earnings	1,365	1,009	909
Shareholder's Equity	2,348	1,992	1,892
Total Liabilities and Shareholder's Equity	$21,917	$20,990	$22,389
Income Statement			
($ in millions)			
Interest income			
Loans	1,788	1,585	1,521
Marketable securities and investments	161	197	204
	1,949	1,782	1,725
Interest expense	1,180	1,066	1,038
Net interest income	769	716	687
Insurance premiums and guarantee fees	172	144	151
Provision for credit losses	491	549	645
Income after provision for credit losses	450	311	193
Administrative expenses	155	117	119
Net income	$295	$194	$74

RISK MANAGEMENT

CREDIT RISK is the risk of loss incurred if a counterparty fails to meet its financial commitments. EDC is exposed to credit risk under its loans and insurance programs and treasury activities. The Corporation has risk management policies in place to help it continuously monitor these credit exposures.

MARKET RISK is the likelihood of loss to EDC as a result of possible movements in interest and foreign exchange rates. EDC manages the market risk of its assets and liabilities on a portfolio basis. EDC has policies in place to limit its exposure to interest rate and foreign exchange movements.

EDC is in the business of providing exporters with tools that allow them to manage the risks they face while doing business internationally. In doing so, EDC is also in the business of taking risks and must therefore prudently manage these risks to ensure its long-term financial health.

LIQUIDITY RISK is the risk that funds will not be available to meet the Corporation's obligations. EDC has treasury risk management policies in place to ensure that sufficient liquidity is retained to meet operating requirements and to maintain stability in short-term borrowing programs.

OPERATIONAL RISK is the potential risk of loss from human error, internal control weaknesses and systems deficiencies. EDC has policies, procedures and an internal audit department in place to minimize the possibility of material losses as a result of operational risk.

Each of the above risks is discussed in greater detail in sequence on the following pages.

Credit Risk

Credit risk represents the most substantial risk of financial loss to EDC. As at December 31, 2000, EDC has $43.9 billion of exposure to credit risk, as detailed on the next page. The Corporation is continuously reviewing its processes and systems in order to improve the administration and assessment of credit risk on all agreements associated with financing, insurance and treasury transactions. The Corporation is committed to ensuring that its origination and portfolio management policies and methodologies embody relevant best-in-class practices within the private sector and the public sector.

EDC manages the credit risk associated with its exposures at the portfolio level and the transaction level.

PORTFOLIO CREDIT RISK MANAGEMENT

Substantial progress has been achieved in developing and implementing a new credit risk management framework in 2000. The framework establishes the approval responsibilities of the Board of Directors, the oversight responsibilities of the Risk Management Committee of the Board of Directors, and the operational, approval and reporting responsibilities of Management. Among other things, the framework includes new and improved methodologies to determine country risk limits, industry risk limits and commercial obligor risk limits. All limits are determined based on the Corporation's capital base and risk factors associated with the exposure. The framework also provides for reporting of management transaction approvals, risk aggregations and compliance with the framework to the Board of Directors on a regular basis.

Country risk is continually reviewed by the Economics Department to take into consideration any changes in the world environment or the specific country. The Economics Department risk rates all countries, and all other things being equal, the higher the country risk, the lower the country limit.

Commercial obligor risk is regularly reviewed by the Corporation to take into consideration any changes that may affect the credit risk of the commercial obligor. The Corporation risk rates all commercial obligors, and all other things being equal, the higher the risk, the lower the commercial obligor risk limit.

It is Management's responsibility to operate the Corporation's credit risk exposures within the limits established by the Board. Any exceptions to limits require specific Board approval.

▸ SPECIFIC TRANSACTION RISK MANAGEMENT

In order to better understand the credit risk associated with EDC's individual credit commitments, the Corporation is organized into business teams along industry sectors. The business teams are responsible for the proper due diligence associated with each credit commitment. Within the business team structure, each individual has a delegation of approval authority based on relevant expertise and experience. Every credit commitment (except for very small amounts) requires the approval of at least two individuals with delegated approval authority.

Significant potential transactions with respect to credit risk and structure are reviewed for endorsement by the Risk Management Office prior to authorization. The Risk Management Office reports to the Vice-President of Risk Management. Very significant transactions with respect to credit risk and structure are also reviewed for endorsement by the Executive Risk Management Committee. The Executive Risk Management Committee comprises the following seven corporate officers: the President; the Executive Vice-President of Medium- and Long-term Financial Services; the Senior Vice-President and Chief Financial Officer; the Senior Vice-President, Legal Services, and Secretary; the Senior Vice-President of Short-term Financial Services; the Senior Vice-President of Business Development; and the Vice-President of Risk Management. In addition, certain very significant transactions with respect to credit risk and structure require the approval of the Board of Directors.

The Corporation actively monitors and manages the credit risks associated with transactions post-commitment to ensure that where there is a change in the risk, the implications are assessed and managed. Where negative changes in risk have occurred, the transactions are downgraded, allowances adjusted and plans to mitigate potential losses put into place.

Concentration of Exposure

The following table reflects the major concentrations of total commercial and sovereign exposure in the geographic market and country where the risk resided for all operations at the end of 2000.

EXPOSURE BY GEOGRAPHIC MARKET

** Includes Mexico*

Country	Loans Portfolio: Gross Loans Receivable	Loans Portfolio: Undisbursed Commitments	Insurance Policies and Guarantees Outstanding: Short-term	Insurance Policies and Guarantees Outstanding: Medium-term	Investments and Derivative Financial Instruments*	2000 Exposure: $	2000 Exposure: %
($ in millions)							
U.S.	7,910	1,284	3,210	1,589	703	14,696	33
Canada	1,999**	1,043**	856	1,884***	1,386	7,168	16
China	1,089	650	137	180	–	2,056	5
Brazil	790	157	362	305	–	1,614	4
United Kingdom	876	167	163	111	264	1,581	4
Mexico	1,029	93	202	246	–	1,570	3
Peru	832	138	9	308	–	1,287	3
Indonesia	939	52	36	41	–	1,068	2
Venezuela	593	123	35	18	–	769	2
Turkey	343	46	195	155	–	739	2
Other****	5,623	1,072	2,200	2,160	308	11,363	26
Total	$22,023	$4,825	$7,405	$6,997	$2,661	$43,911	100%

* *Investments include amounts represented by cash, marketable securities and investments.*

** *Includes the impact of one transaction signed in 1997 for $1,497 million with recourse to the Consolidated Revenue Fund of Canada in the event of a loan default.*

*** *Includes $1,782 million of surety bond insurance. A total of 57% of the exports insured in the surety bond program are to the United States. The balance represents exports to other countries.*

**** *Includes 153 countries with total exposure ranging from $1 million to $644 million.*

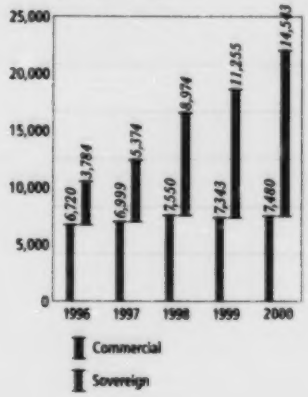
▸ CONCENTRATION OF EXPOSURE – LOANS PORTFOLIO

Over the last four years, gross loans receivable have increased at an average yearly rate of 21%, moving from $10,504 million in 1996 to $22,023 million in 2000. This increase is due to the continued record growth in commercial financing, ranging from $3,784 million in 1996 to $14,543 million in 2000. Over the last four years, commercial loans have increased by an average yearly rate of 41%, while sovereign loans have experienced only 3% growth over the same period.

The mix between commercial and sovereign loans has continued to shift in favour of commercial loans. In 1996, the ratio of commercial to sovereign was 36:64, while in 2000 it shifted to 66:34. In 2000, new signing volume to commercial borrowers accounted for 96% of total signing volume.

GROSS LOANS RECEIVABLE

($ in millions)



Performing Commercial Loans

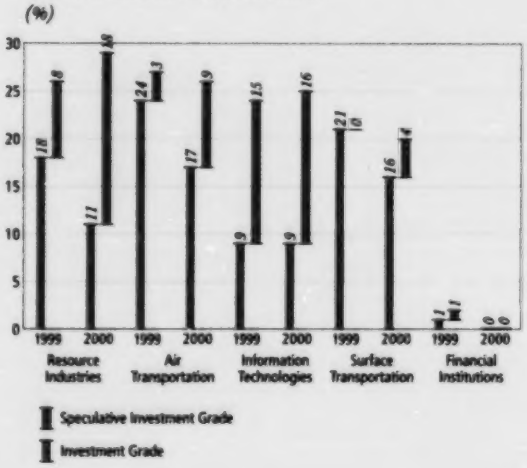
As depicted, the commercial exposure in terms of industry sector mix has remained relatively unchanged compared with that of 1999.

Five counterparties comprising the Corporation's largest commercial exposure balances collectively represent $4,538 million, or 26%, of the total performing commercial exposure. Of these five, one is within the Surface Transportation sector, comprising $1,615 million, or 9%. Two counterparties are within the Air Transportation sector, comprising $1,569, or 9%. The remaining two counterparties are within the Information Technology sector, comprising $1,355 million or 8%.

The ratio of speculative grade loans to total commercial exposure has increased significantly for loans in the Resource Industries, Air Transportation and Surface Transportation sectors in 2000. This is the result of various credit rating downgrades from BBB* or above to BB* or below in each of these sectors.

PERFORMING COMMERCIAL LOANS

(%)



** Moody's long-term rating*

	Gross Receivable	Undisbursed Commitments	Total Exposure	2000	Gross Receivable	Undisbursed Commitments	Total Exposure	1999
($ in millions)			$	%			$	%
Resource Industries	3,804	1,133	4,937	29	2,677	1,054	3,731	26
Air Transportation	4,226	336	4,562	26	3,326	526	3,852	27
Information Technologies	3,183	1,176	4,359	25	2,565	831	3,396	24
Surface Transportation	3,169	373	3,542	20	2,132	779	2,911	21
Financial Institutions	3	–	3	–	307	11	318	2
Total	$14,385	$3,018	$17,403	100%	$11,007	$3,201	$14,208	100%

Performing Sovereign Loans

The Corporation has the following sovereign risk concentrations for its performing gross loans receivable:

	Gross Receivable	Undisbursed Commitments	Total Exposure	2000		Gross Receivable	Undisbursed Commitments	Total Exposure	1999
($ in millions)			$	%				$	%
China	1,066	643	1,709	21	China	1,113	564	1,677	20
Canada	879	552	1,431	18	Canada	655	896	1,551	19
Peru	630	–	630	8	Peru	625	–	625	7
Algeria	544	33	577	7	Venezuela	473	122	595	7
Venezuela	425	123	548	6	Algeria	527	28	555	7
Other	2,771	436	3,207	40	Other	2,890	489	3,379	40
Total	$6,315	$1,787	$8,102	100%	Total	$6,283	$2,099	$8,382	100%

The sovereign portfolio as a whole has decreased from 1999 by 3%. Generally, the level of exposure has not increased for sovereign counterparties.

The shift from public sector financing to private sector is demonstrated in the minimal increase in the Corporation's sovereign loan portfolio. As older loans are repaid, not enough new loans are signed to replace them. In 2000, 4% of signing volume was to sovereign borrowers, compared with 10% in 1999.

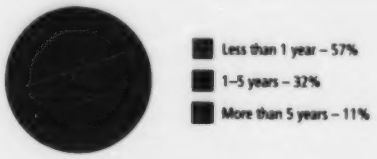
▸ CONCENTRATION OF EXPOSURE – INSURANCE PORTFOLIO

Insurance Policies and Guarantees Outstanding

($ in millions)	2000	1999
Short-term	7,405	7,147
Medium-term	6,997	5,574
Total	$14,402	$12,721

At December 31, 2000, the concentration by policy term has remained relatively unchanged from 1999 levels.

INSURANCE POLICIES AND LOAN GUARANTEES OUTSTANDING BY POLICY TERM



Short-term Program

Size Concentration

During 2000, the short-term program supported 4,229 customers. In terms of total insured volume, the top five customers represented 15% of the total 2000 insured volume (1999 – 14%). The largest number of buyers in terms of aggregate credit authorizations is within the $1,000 to $500,000 range and has remained relatively unchanged from 1999 levels in terms of overall concentration.

The following table shows the number of buyers and total exposure for the year classified by exposure size within the short-term portfolio:

	2000		1999	
$ Value of Exposure *($ in thousands)*	Total Number of Buyers	Exposure ($ in millions)	Total Number of Buyers	Exposure ($ in millions)
1–500	46,659	5,486	41,050	4,624
501–2,000	4,048	3,873	3,957	3,746
2,001–5,000	985	3,061	987	2,985
5,001–10,000	350	2,442	326	2,293
10,001 and over	256	5,711	257	5,688
Total	52,298	$20,573	46,577	$19,336

Country Concentration

The largest concentrations within the short-term program are in the following countries:

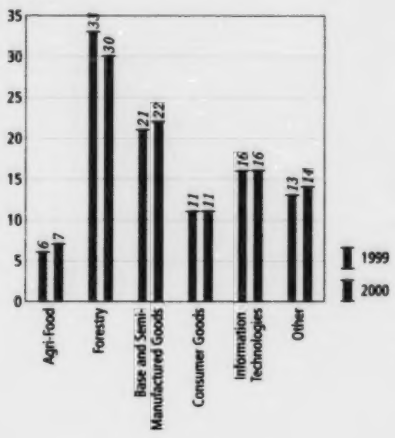
	2000			1999	
($ in millions)	$	%		$	%
U.S.	3,210	43	U.S.	2,821	39
Canada	856	12	Canada	1,036	15
Brazil	362	5	Brazil	419	6
Iran	267	4	Mexico	279	4
Japan	259	3	Iran	243	3
Other*	2,451	33	Other*	2,349	33
Total	$7,405	100%	Total	$7,147	100%

** Includes 138 countries with concentrations ranging from $0.001 million to $213 million (1999 – 140 countries ranging from $0.001 million to $233 million).*

Industry Concentration

The insurance policies outstanding in terms of industry concentration are as follows:

INSURANCE POLICIES OUTSTANDING BY INDUSTRY SECTOR
(%)



Medium-term Insurance Program and Guarantees

Size Concentration

During 2000, 381 customers were supported in the medium-term program (1999 – 378). The top five customers in terms of insurance policies and guarantees outstanding represented 59% of the 2000 medium-term insurance policies and guarantees outstanding (1999 – 60%). The largest exposure within the top five customers is $2,631 million. The five largest policies and loan guarantees as at December 31, 2000, represent 25% (1999 – 32%) of the total medium-term policies and guarantees outstanding.

Country Concentration

As at December 31, 2000, the medium-term insurance policies and guarantees outstanding portfolio comprised 1,688 transactions in 124 countries (1999 – 1,582 transactions in 124 countries) with an average exposure of $4.1 million (1999 – $3.5 million).

The largest insurance policies and guarantees outstanding in terms of where the risk resides within the medium-term portfolio are in the following countries:

	2000			1999	
($ in millions)	$	%		$	%
Canada	1,884	27	U.S.	1,367	24
U.S.	1,589	23	Canada	1,102	20
Peru	308	4	Brazil	281	5
Brazil	305	4	Colombia	215	4
Mexico	246	4	Israel	214	4
Other*	2,665	38	Other*	2,395	43
Total	$6,997	100%	Total	$5,574	100%

** Includes 119 countries with concentrations ranging from $0.004 million to $223 million (1999 – 113 countries ranging from $0.012 million to $207 million).*

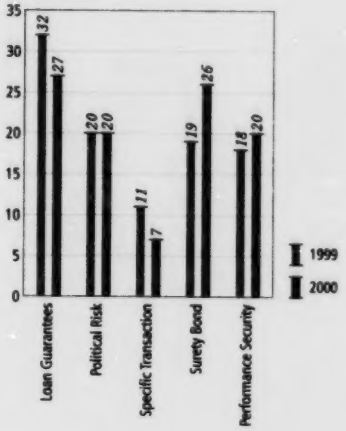
Exposure in Canada is made up largely ($1,782 million) of surety bond insurance (1999 – $1,055 million), 57% of which is to support exports to the United States (1999 – 79%). Of the total concentration in the United States, $1,517 million (81%) represents guarantees to support loan agreements.

Program Concentration

Total medium-term exposure has increased by $1,423 million or 26% over 1999 results. Surety bond and performance security program exposures have increased by $727 million and $351 million over 1999 results.

CONCENTRATION BY PROGRAM

(%)



Credit Quality

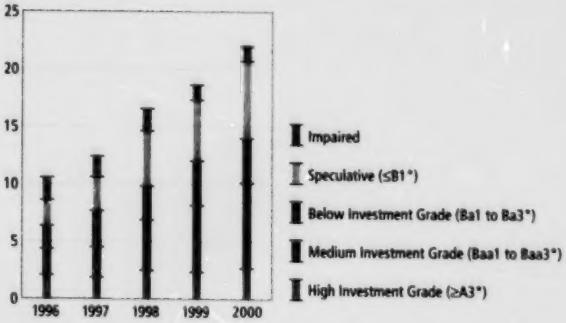
▸ CREDIT QUALITY – LOANS

The performing gross loans receivable grew by 20% in 2000 to $20,700 million from the 1999 level of $17,290 million. The major factor contributing to this increase is the continued growth in commercial signing volume, with sovereign signings remaining close to 1999 levels. Risk concentration remains comparable to 1999, with growth in medium and speculative grade financing.

Impaired loans as a percentage of total gross loans receivable declined from 7% in 1999 to 6% in 2000. During the year, six loans totalling $92 million were reclassified as impaired: three commercial totalling $43 million and three sovereign totalling $49 million. Six commercial loans totalling $105 million were written off against the allowance for loan losses during the year. No loans were written off in 1999.

GROSS LOANS RECEIVABLE

($ in billions)



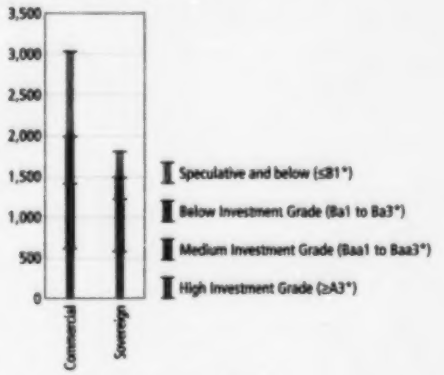
** Moody's long-term rating*

Loan Commitments

The amount of commercial undisbursed commitments has declined by 7%, totalling $3,239 million in 1999 and $3,028 million in 2000. The mix of credit grades has remained relatively constant, with the below investment grade and speculative grades declining to 54% of the total from 61% last year.

In the sovereign portfolio, the amount of undisbursed commitments has declined 20%, totalling $2,106 million in 1999 and $1,797 million in 2000. The mix of credit grades in the sovereign portfolio has remained mostly unchanged from the previous year. Undisbursed commitments in the below investment grade and speculative grade categories have risen to 32% in 2000 from 30% in 1999.

LOAN COMMITMENTS
($ in millions)



** Moody's long-term rating*

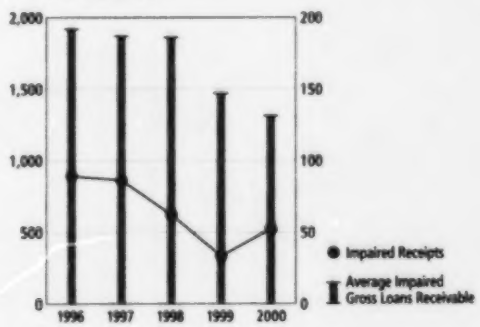
The following table profiles the committed undisbursed loan balances by credit-rating grade:

($ in millions)					2000		1999	
Provision Category*	Commercial	%	Sovereign	%	Total	%	Total	%
High investment grade (≥A3)	608	20	572	32	1,180	24	1,413	26
Medium investment grade (Baa1 to Baa3)	797	26	644	36	1,441	30	1,306	25
Below investment grade (Ba1 to Ba3)	574	19	264	15	838	18	1,244	23
Speculative and below (≤B1)	1,049	35	317	17	1,366	28	1,382	26
Total	$3,028	100%	$1,797	100%	$4,825	100%	$5,345	100%

** Moody's long-term rating*

Impaired Loans

IMPAIRED RECEIPTS TO AVERAGE GROSS LOANS RECEIVABLE
($ in millions)



($ in millions)	2000	1999	1998	1997	1996
Average impaired gross loans receivable	1,311	1,468	1,861	1,869	1,919
Impaired receipts (principal and interest)	52	33	62	86	89
Cash flow as a percentage of average receivable	3.97%	2.25%	3.33%	4.60%	4.64%

In 2000, two commercial loans in Yugoslavia totalling $5 million, three sovereign loans in Pakistan totalling $49 million, and one commercial loan in Canada totalling $38 million were reclassified as impaired. No loans were reclassified as performing.

Impaired loans to six commercial borrowers totalling $105 million were written off against the allowance for loan losses. These loans were fully provided for by the allowance for loan losses in previous years and required no additional provision in 2000.

Payments received from the Government of Canada for debt relief for sovereign impaired loans totalled $12 million in 2000 (1999 – $59 million) and related to Cameroon. These amounts are not included as receipts from borrower countries in the previous chart.

The following cash flows pertain to impaired loan debtors and represent, in the case of non-commercial receipts, the long-term efforts of multilateral rescheduling arrangements through the Paris Club. The largest receipts for impaired loans including contractual principal and interest from borrowers were as noted:

($ in millions)	2000		1999
South Korea (commercial)	30	Cameroon	13
Cameroon	9	Peru (impaired status only)	7
Yugoslavia	7	Venezuela	7
Canada (commercial)	5	Other	6
Other	1		
Total	$52	Total	$33

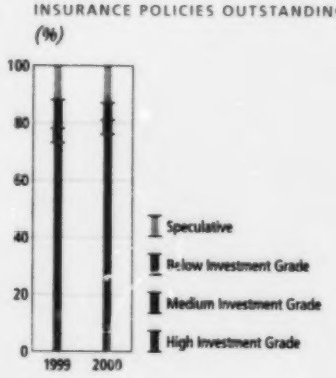
▸ CREDIT QUALITY – INSURANCE

The Corporation rates country risk on a scale from 1 to 4 (high investment grade to speculative grade).

Short-term

Within the short-term programs, the comparative spread of risk in terms of country risk classification has remained relatively unchanged from 1999 levels. The largest balance of short-term contingent liabilities is within category 1 countries, which represent $5,634 million, or 76% of total short-term contingent liabilities.

INSURANCE POLICIES OUTSTANDING – SHORT-TERM



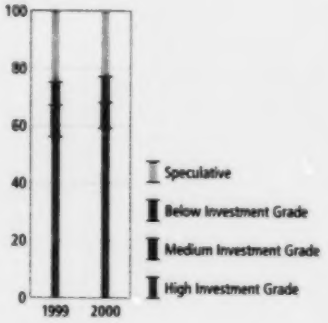
Medium-term

Within the medium-term programs, there was a 3% increase in high investment grade concentration in 2000 compared with 1999 levels, as well as a 3% decrease in speculative grade concentration in 2000 over 1999 concentrations.

The increase in high investment grade concentration in 2000 was partly the result of an overall increase of 7% in exposure in Canada, due to the increased use of surety bond insurance in support of exporters.

The decrease in speculative grade concentration in 2000 within the medium-term programs was the result of decreased concentrations in Brazil and Turkey.

INSURANCE POLICIES OUTSTANDING – MEDIUM-TERM



Claims Experience

($ in millions)	2000	1999
Claims paid	84	134
Claims recovered	30	17
Net claims	$54	$117

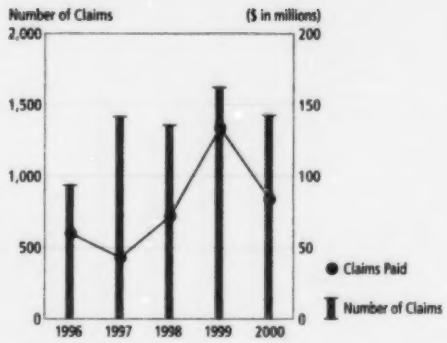
In 2000, the Corporation paid 1,427 claims in 73 countries. During the same period in 1999, the Corporation paid 1,622 claims in 66 countries.

The decrease in claim payments was largely due to a series of market crises such as Russia's debt default and Brazil's currency devaluation, which affected the 1999 results but were not a factor in 2000.

There was a 37% decrease in the dollar value of claim payments to $84 million in 2000 and a decrease of 12% in the number of claims paid from 1999.

The claims paid as a percentage of insurance policies and guarantees outstanding over the past five years has averaged 0.71%.

CLAIMS PAID



Size Concentration

($ in millions)	2000 Claims Paid $	2000 Number of Claims Paid	2000 Claims Recovered $	1999 Claims Paid $	1999 Number of Claims Paid	1999 Claims Recovered $
$0–$100,000	19	1,304	28	20	1,472	11
$100,001–$1 million	28	112	1	34	124	2
Over $1 million	37	11	1	80	26	4
Total	$84	1,427	$30	$134	1,622	$17

Due to the number of larger claim payments (over $1 million) paid in 1999, the average amount paid per claim decreased to $59 thousand from $83 thousand in 1999.

Insurance Claims Paid by Geographic Market

($ in millions)	2000					1999				
Geographic Market	Default	Insolvency	Transfer	Other	Total	Default	Insolvency	Transfer	Other	Total
Middle East/Africa	1	–	–	–	1	1	1	–	1	3
Asia/Pacific	11	1	–	1	13	2	22	–	5	29
Europe	5	3	–	–	8	8	4	22	7	41
South America/ Central America	19	–	–	1	20	10	7	–	–	17
North America/ Caribbean*	28	10	–	4	42	23	17	–	4	44
Total	$64	$14	–	$6	$84	$44	$51	$22	$17	$134

** Includes Mexico*

Default Risk

Default risk is defined as the failure of the buyer to pay by the due date all or any part of the gross invoice value of goods delivered to and accepted by the buyer.

The increase in claim payments in Asia/Pacific for default is mainly due to an increase in claim payments for losses in India ($9 million).

Default claim payments on behalf of losses in Ecuador ($14 million) offset by a decrease in payments for losses in Brazil ($3 million) and Venezuela ($2 million) account for most of the increase in claim payments in South America.

Insolvency Risk

Insolvency of the customer occurs when the customer has reorganized his financial affairs under the bankruptcy or insolvency laws of his country.

The $21 million decrease from 1999 in insolvency claims paid in Asia/Pacific is largely due to a decrease in payments for losses in Hong Kong ($18 million) and China ($5 million), offset by an increase in payments for losses in Japan ($1 million).

Claim payments made in 1999 on behalf of losses in Colombia ($3 million), Chile and Brazil ($2 million each) account for the decrease in insolvency claim payments in South America.

The overall decrease in default and insolvency claims paid within North America/Caribbean is mainly due to increases in Canada ($3 million), offset by a decrease in the United States ($5 million).

Transfer Risk

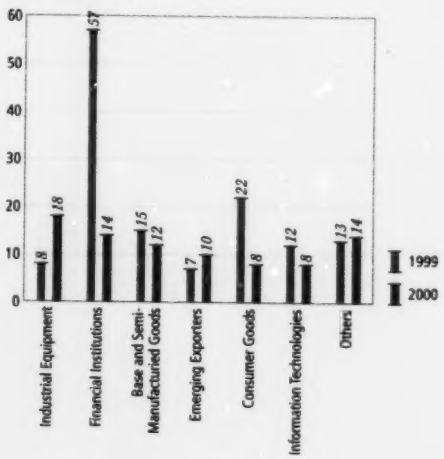
Transfer risk is described as a law or any governmental directive in the customer's country that restricts or prevents the transfer of currency, and as a consequence prevents the customer from making any payment required to the exporter.

The $22 million in claim payments made in Europe for transfer risk in 1999 is due to the failure of Russian banks to meet their obligations.

Industry Concentration

Within the Financial Institutions industry sector, 8 claims were paid in 2000, totalling $14 million, compared with 35 claims totalling $57 million in 1999. The claims paid in 2000 are mainly due to losses in Ecuador ($13 million). The majority of the claims paid in 1999 were due to losses in Russia ($22 million) and Hong Kong ($18 million).

CLAIMS PAID BY INDUSTRY SECTOR
($ in millions)

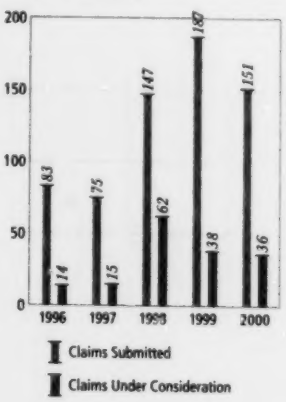


Claims Submitted

At the end of 2000, the value of the claims requests that were still under consideration was $36 million (1999 – $38 million). The five largest concentrations are related to claims pending for losses in Pakistan ($14 million), the United States ($11 million), Canada ($4 million), Greece ($2 million) and Argentina ($1 million).

The value of claims submitted has decreased from $187 million in 1999 to $151 million in 2000. The top five countries with the largest claims submitted in 2000 were the United States ($59 million), Canada ($16 million), Ecuador ($14 million), India ($10 million) and Chile ($9 million).

CLAIMS SUBMITTED AND UNDER CONSIDERATION
($ in millions)



▸ CREDIT QUALITY – INVESTMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS

Treasury credit risk is the credit risk associated with EDC's holdings of interest-bearing deposits, marketable securities, investments and derivative financial instruments. EDC uses derivative financial instruments to convert market risk to credit risk. For interest-bearing deposits, marketable securities and investments, the potential exposure is represented by the carrying value of the financial instrument. The potential loss on derivative financial instruments is the replacement cost of contracts that have a positive fair value. EDC's activities with respect to derivative financial instruments will be discussed further in the market risk section. The Corporation's risk management policies limit counterparty credit exposures by credit rating and term. Credit exposures are evaluated on an ongoing basis. Changes in counterparty creditworthiness and market movements may cause limits to be exceeded and in such cases management will determine appropriate action.

The following table provides a breakdown, by credit rating, of EDC's treasury credit risk exposure.

($ in millions)

	Remaining Term to Maturity				
Credit Rating*	Under 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
Aaa	362	65	1	16	444
Aa1	594	97	41	31	763
Aa2	354	20	59	12	445
Aa3	679	124	21	72	896
A1	51	37	–	–	88
A2	25	–	–	–	25
Total	$2,065	$343	$122	$131	$2,661

* *Moody's long-term rating*

Allowances

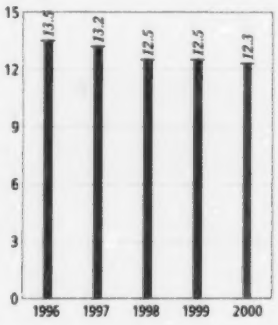
▸ ALLOWANCE FOR LOSSES ON LOANS

EDC classifies its loan assets into five categories. The first four categories represent groups of performing loans that share the same credit rating. The Corporation categorizes its performing commercial and sovereign loans using a rating system of 1 to 4 (high investment grade to speculative grade), then establishes an appropriate general allowance for each performing risk category. The fifth category represents loans evaluated for impairment on a loan-by-loan basis and gives rise to the specific allowance, which is based on discounted cash flows.

EDC's loan loss provision has declined as a percentage of gross loans receivable at 12.3%. The decrease of 0.2% from 1999 was caused by a higher proportion of short-term financing in 2000, representing loans that mature in less than one year. If the increase in short-term financing had not occurred, the allowance percentage would have remained consistent with the two prior years.

ALLOWANCE FOR LOSSES ON LOANS AS A PERCENTAGE OF GROSS LOANS RECEIVABLE

(%)



Commercial Allowance

The Corporation uses external credit ratings on its commercial borrowers in order to classify commercial loans receivable into credit categories. When external ratings are unavailable, loan reviews and an internal rating system are used to determine the appropriate credit classification. For each rating classification, a general allowance rate is established using default rates developed by external credit-rating agencies and the Corporation's own historical loss experience for each risk pool.

COMMERCIAL ALLOWANCE
BY LOAN CATEGORY
(%)

The 2000 commercial allowance on loans as a percentage of exposure is as follows:

($ in millions)	2000			1999		
Provision Category*	Allowance	Exposure**	%	Allowance	Exposure**	%
High investment grade (≥A3)	27	1,743	2	25	1,575	2
Medium investment grade (Baa1 to Baa3)	212	5,904	4	167	4,265	4
Below investment grade (Ba1 to Ba3)	420	3,014	14	311	2,223	14
Speculative grade (≤B1)	969	3,754	26	764	2,944	26
Impaired	138	151	91	211	242	87
Total	$1,766	$14,566	12%	$1,478	$11,249	13%

* *Moody's long-term rating*

** *Exposure includes gross loans receivable, net of non-accrued capitalized interest.*

The commercial allowance increased by 20% over the prior year, which is lower than the 29% growth in commercial exposure. This was primarily caused by a significant increase in medium investment grade loans, which are provisioned at 4%, lower than the average of 12%. Loans of higher credit quality have a lower impact on the amount of allowance provided based on lower projected default rates.

The allowance required for impaired loans decreased to $138 million from $211 million in 1999. This decrease can be partly attributed to the write-off of six commercial loans totalling $105 million. Offsetting this were two loans totalling $5 million to borrowers in Yugoslavia and one commercial loan totalling $38 million to a borrower in Canada that were reclassified as impaired.

The following table outlines the changes to the allowance for losses on commercial loans:

($ in millions)	2000	1999
Balance at beginning of year	$1,478	$1,107
Portfolio growth	270	288
Credit migration	36	70
Increase due to additional impaired loans	24	81
Write-offs	(105)	–
Foreign exchange	63	(68)
Balance at end of year	$1,766	$1,478

Sovereign Allowance

The Corporation classifies each sovereign counterparty by common characteristics based on risk categories or pools using external credit-rating agencies. For those countries not specifically rated, an assessment using external and internal benchmarks is employed to provide a rating. A general allowance rate is applied to exposure after considering default rates based on external credit-rating agencies and the Corporation's own historical loss experience.

SOVEREIGN ALLOWANCE BY LOAN CATEGORY
(%)

The 2000 sovereign allowance on loans as a percentage of exposure is as follows:

($ in millions)	2000			1999		
Provision Category*	Allowance	Exposure**	%	Allowance	Exposure**	%
High investment grade (≥A3)	1	954	–	1	747	–
Medium investment grade (Baa1 to Baa3)	30	1,502	2	29	1,454	2
Below investment grade (Ba1 to Ba3)	93	928	10	116	1,158	10
Speculative grade (≤B1)	517	2,352	22	509	2,315	22
Impaired	293	556	53	191	493	39
Total	$934	$6,292	15%	$846	$6,167	14%

* *Moody's long-term rating*
** *Exposure includes gross loans receivable, net of non-accrued capitalized interest.*

The level of provisioning on sovereign impaired loans has increased by $102 million from 1999. This resulted partly from a revaluation of impaired loans to Cameroon, Ivory Coast and Russia, which increased the allowance by $52 million. Lower repayments from these countries in 2000 have caused the Corporation to increase the allowance based on a lower expectation of future cash flows. As well, three sovereign loans to Pakistan totalling $49 million were made impaired in the year, increasing the sovereign impaired allowance by $44 million.

The following table outlines the effect of these changes on the allowance for losses on sovereign loans:

($ in millions)	2000	1999
Balance at beginning of year	$846	$953
Portfolio growth	(24)	(2)
Credit migration	(11)	20
Revaluation of impaired loans	86	(60)
Foreign exchange	37	(65)
Balance at end of year	$934	$846

▸ ALLOWANCE FOR CLAIMS ON INSURANCE AND GUARANTEES

As at December 31, 2000, the allowance for claims on insurance and guarantees is $569 million, an increase of $115 million or 25% over the 1999 allowance of $454 million. The increase in the allowance for claims on insurance and guarantees is primarily attributable to the continued growth in both the short-term and the medium-term insurance portfolios. During 2000, $168 million was charged to the income statement for the provision for credit losses relating to claims on insurance and guarantees. This was offset by charges to the allowance of $62 million, due to the re-evaluation of recoverable claims paid and claims expenses for $6 million. The allowance also increased by $15 million due to foreign exchange fluctuation.

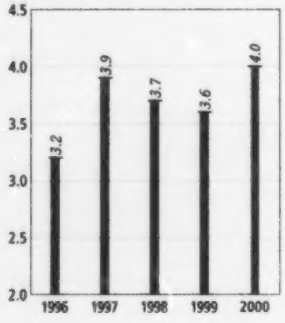
UNRECOVERABLE PORTION OF CLAIMS PAID BY GEOGRAPHIC MARKET – 2000
(%)

* *Includes Mexico*

Ninety-four per cent of the total unrecoverable portion of claims paid amount was in the short-term program.

The allowance as a percentage of insurance policies and loan guarantees outstanding has remained within a range of 3.2% to 4.0%, averaging 3.7% over the last five years. The allowance is based on an actuarial valuation of the insurance policy and claim liabilities. The actuarial valuation uses simulation techniques and is based on assumptions (frequency of claim and severity of loss) relevant for each insurance program separately and is derived from the Corporation's own experience. Moreover, the allowance includes a provision for adverse deviation such that it will be sufficient to cover all expected losses 19 times out of 20. This year's increase in the allowance results from growth in most insurance programs as well as a corresponding growth in the claims under consideration and incurred but not reported claims.

ALLOWANCE AS A PERCENTAGE OF INSURANCE POLICIES AND LOAN GUARANTEES OUTSTANDING
(%)



▸ CAPITALIZATION

The gross assets of the Corporation are $25.1 billion (1999 – $23.2 billion), which are supported by shareholder's equity and allowances of $5.3 billion (1999 – $4.6 billion). At this level of capitalization, 21% of assets do not require external debt financing (1999 – 20%).

The following table shows the capitalization of EDC over the last five years:

($ in millions)	2000	1999	1998	1997	1996
Shareholder's equity:					
Capital	**983**	983	983	983	983
Retained earnings	**1,009**	815	697	562	434
Subtotal	**1,992**	1,798	1,680	1,545	1,417
Allowances	**3,289**	2,798	2,516	1,984	1,683
Total capitalization	**$5,281**	$4,596	$4,196	$3,529	$3,100

Market Risk

Market risk is the likelihood of loss to EDC as a result of possible movements in interest and foreign exchange rates. The Corporation manages its exposure to market risk using limits developed in consultation with the Department of Finance and approved by the Risk Management Committee of the Board of Directors. Capital Markets meets weekly and the Corporation's Finance Group meets bi-weekly to review and discuss market and credit risks and to analyze borrowing requirements. These activities and the asset/liability positions are reported quarterly (or more frequently as required) to EDC's Asset/Liability Management Committee, to its Risk Management Committee of the Board, and to the Board of Directors.

▸ ASSET/LIABILITY MANAGEMENT

The following table provides a breakdown of EDC's asset portfolios.

($ in millions)	Total	%	Canadian Dollars	U.S. Dollars	Other Currencies
Floating rate portfolio	12,895	53	1,174	10,947	774
Fixed rate portfolio	9,128	38	214	8,428	486
Investments	2,171	9	981	1,169	21

Asset terms are set to meet the needs of external parties. EDC arranges its liabilities accordingly but must balance the need to match its assets and liabilities with opportunities to obtain sub-LIBOR funding. In doing so, EDC may

expose itself to interest rate and foreign exchange risk. These asset/liability gaps are measured against policy limits and reported to senior management on a monthly basis.

Interest Rate Risk

Interest rate risk is the exposure of the Corporation's market value and net interest income to adverse movements in interest rates. Interest rate risk exists where there is a mismatch between maturities or interest rate resets between assets and liabilities.

Foreign Exchange Risk

Foreign exchange risk is the exposure of the Corporation's net interest income and market value to adverse movements in foreign exchange rates. Foreign exchange risk exists where there is a mismatch between assets and liabilities in any currency. This risk is measured on a translation basis.

The likelihood of loss to EDC as a result of possible movements in interest and foreign exchange rates is monitored and managed within operational guidelines and Board-approved policies. Market risk is aggregated and managed on an integrated basis. Limits exist for interest rate and foreign exchange rate shock effects in relation to projected net interest income and economic value. Exposures are classified, calculated and limited on a consolidated Canadian dollar equivalent basis, covering EDC's lending, investing, funding and derivative transactions.

EDC is currently within its risk management guidelines and policies with respect to its exposure to interest rate and foreign exchange risk.

EDC continues to improve analytical techniques, information systems and reporting to enhance the evaluation and control of risk. The Market Risk Management Policies are reviewed annually with the Corporation's Board of Directors.

▸ DERIVATIVES

EDC uses a variety of derivatives to manage costs, returns and levels of financial risk associated with its funding, investment and risk management activities. EDC's use of derivatives may include, but is not restricted to, currency and interest rate swaps, foreign exchange contracts, equity index swaps, forward rate agreements, futures and options.

EDC does not engage in the use of derivatives whose value and financial risks cannot be measured, monitored and managed on a timely basis. The Market Risk Management department formally reviews EDC derivative financial instrument transactions at time of inception, and on an ongoing basis, to provide an independent verification on the valuation of transaction structures, and of associated financial risks.

The use of any new derivative products is reviewed and reported separately by the Market Risk Management department to the Treasurer and the Senior Vice-President and Chief Financial Officer. Financial risks associated with derivatives are controlled and reported as specified in Market Risk Management Policies. EDC's use of derivatives is typically linked to the following activities:

Funding

Derivatives are used to achieve reduced fixed rate or sub-LIBOR floating rate funding costs. An example would be issuing an EDC bond in a foreign currency, on a fixed interest rate basis, and entering into a currency and interest rate swap with a creditworthy counterparty to achieve low-cost floating rate U.S. dollar denominated debt, thereby replacing the foreign currency denominated payment obligations with U.S. dollar denominated obligations. The combination of the bond issue and swap would deliver a more favourable cost of funding than could be achieved using a straight U.S. dollar floating rate bond issue.

Investing

Derivatives are used to maximize yields on investments. For example, rather than invest directly in a three-month U.S. dollar treasury bill, EDC may obtain a higher yield by investing in a Japanese yen swapped deposit, where U.S. dollars are converted to yen and invested in a three-month yen deposit. At maturity, the maturing term deposit plus interest is swapped back into U.S. dollars. This structure uses a forward foreign exchange contract to enhance the investment yield.

Risk Management

Derivatives are used to hedge risks by diversifying concentrated exposures. For example, EDC might balance the proportion of fixed to floating rate assets in its investment book, using interest rate swaps, in order to diversify interest rate risk.

Liquidity Risk

Liquidity risk is the risk that funds will not be available to meet current and future cash outflow requirements. Pursuant to its risk management policies, EDC must maintain enough liquidity to meet the following six months' net cash outflow requirements without accessing the capital markets (i.e., bond issuance). This is ensured by measuring and reporting to senior management EDC's actual liquidity position against this minimum limit on a monthly basis.

EDC maintains liquidity through a variety of methods:

Access to Commercial Paper Markets: In the course of EDC's normal activities, the Corporation's commercial paper programs provide it with the necessary liquidity to meet its cash requirements on a daily basis. During 2000, the average balance of short-term debt was $3,574 million (1999 – $3,429 million) with a turnover of 15 times (1999 – 21 times).

Cash and Marketable Securities: EDC holds cash and marketable securities to ensure that sufficient liquidity is available, if required, to meet forecasted cash requirements. During 2000, the average balance of cash and marketable securities was $3,215 million (1999 – $2,758 million).

Standby Credit Facility: As a contingency, EDC also maintains a US$2 billion standby revolving credit facility to further ensure its liquidity. To date, it has not been necessary to use this facility.

CREDIT RATINGS

EDC is for all purposes an agent of Her Majesty in right of Canada. All obligations under debt instruments issued by the Corporation are obligations of Canada. Securities issued by the Corporation are assigned a zero risk weighting in accordance with capital adequacy guidelines established by North American bank regulatory agencies.

EDC has the following credit ratings:

	Domestic		Foreign Currency	
	Long-term	Short-term	Long-term	Short-term
Moody's	Aa1	P-1	Aa1	P-1
Standard & Poors	AAA	A-1+	AA+	A-1+
Japan Credit Rating Agency	AAA	–	AAA	–

Operational Risk

Operational risk is the potential risk of loss from human error, internal control weaknesses and systems deficiencies. EDC has policies and procedures in place that establish clear segregation of responsibilities and timely internal reporting to management.

Financial Reporting Responsibility

The consolidated financial statements contained in this Annual Report have been prepared by management in accordance with generally accepted accounting principles appropriate in the circumstances and consistently applied. The integrity and objectivity of the data in these consolidated financial statements are management's responsibility. The consolidated financial statements include some amounts, such as the allowances for losses on loans and claims, that are necessarily based on management's best estimates and judgment. Management is also responsible for all other information in the Annual Report and for ensuring that this information is consistent, where appropriate, with the information and data contained in the consolidated financial statements.

In support of its responsibility, management maintains financial, management control and information systems and management practices to provide reasonable assurance that the financial information is reliable, that the assets are safeguarded and that the operations are carried out effectively. The Corporation has an internal audit department whose functions include reviewing internal controls and their application, on an ongoing basis.

The Board of Directors of EDC is responsible for the management of the business and activities of the Corporation. In particular, it is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises this responsibility through the Audit Committee of the Board, which is composed of Directors who are not employees of the Corporation. The Audit Committee meets with management, the internal auditors and the Auditor General of Canada on a regular basis.

Peter Allen
Senior Vice-President and Chief Financial Officer

Contracts which, in the opinion of EDC, involve risks in excess of that which the Corporation would normally undertake, may be entered into under the authority of the Minister for International Trade and the Minister of Finance where the Minister for International Trade considers them to be in the national interest. Funds required for such contracts are paid to the Corporation by the Minister of Finance out of the Consolidated Revenue Fund, and funds recovered are remitted to the Consolidated Revenue Fund, net of amounts withheld to cover related administrative expenses. These transactions, which are known as Canada Account transactions, are shown in note 20 to the Corporation's consolidated financial statements, and the responsibility of the Board of Directors for these transactions is limited to the management of the administration thereof by EDC.

The Auditor General of Canada conducts an independent audit, in accordance with generally accepted auditing standards, and expresses his opinion on the consolidated financial statements. His report is presented on the following page.

A. Ian Gillespie
President and
Chief Executive Officer

Peter Allen
Senior Vice-President and
Chief Financial Officer

Auditor's Report

AUDITOR GENERAL OF CANADA **VÉRIFICATEUR GÉNÉRAL DU CANADA**

To the Minister for International Trade

I have audited the consolidated balance sheet of the Export Development Corporation as at December 31, 2000 and the consolidated statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation and of its wholly-owned subsidiary that have come to my notice during my audit of the consolidated financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Export Development Act* and regulations and the by-laws of the Corporation and its wholly owned subsidiary.

L. Denis Desautels, FCA
Auditor General of Canada

Ottawa, Canada
February 9, 2001

Consolidated Financial Statements

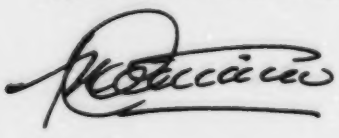
CONSOLIDATED BALANCE SHEET

as at December 31, 2000

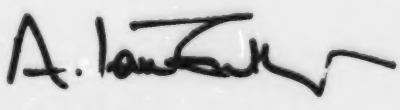
($ in millions)	2000	1999
Assets		
Cash and Investments		
Cash and cash equivalents	104	778
Marketable securities (note 3)	2,083	2,471
Investments (note 4)	170	168
Accrued interest	18	25
	2,375	3,442
Loans Receivable		
Net loans receivable (notes 5, 6 and 7)	17,886	14,844
Accrued interest and fees	344	291
	18,230	15,135
Other		
Recoverable insurance claims (note 10)	74	77
Derivative related amounts	253	807
Other assets	58	53
	385	937
Total Assets	$20,990	$19,514
Liabilities and Shareholder's Equity		
Loans Payable (notes 12 and 13)		
Loans payable	17,583	16,325
Accrued interest	454	698
	18,037	17,023
Other Liabilities and Deferred Revenue		
Accounts payable and other credits	84	92
Deferred insurance premiums	21	24
Derivative related amounts	287	123
Allowance for claims on insurance and guarantees (note 10)	569	454
	961	693
Loan Commitments and Contingent Liabilities (notes 8 and 9)		
Shareholder's Equity		
Share capital (note 14)	983	983
Retained earnings	1,009	815
	1,992	1,798
Total Liabilities and Shareholder's Equity	$20,990	$19,514

See accompanying notes.

Approved by the Board of Directors



J. Pattillo
Director



A. Ian Gillespie
Director

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

for the year ended December 31, 2000

($ in millions)	2000	1999
Interest income		
Loans	1,585	1,258
Marketable securities and investments	197	146
	1,782	1,404
Interest expense	1,066	796
Net Interest Income	716	608
Insurance Premiums and Guarantee Fees	144	133
Provision for Credit Losses (note 11)	549	523
Income after provision for credit losses	311	218
Administrative Expenses	117	100
Net Income	194	118
Retained Earnings		
Beginning of year	815	697
End of year	$1,009	$815

See accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 2000

($ in millions)	2000	1999
Operating Activities		
Net income	194	118
Items not affecting cash and cash equivalents		
Provision for credit losses	549	523
Net increase in accrued interest and fees receivable	(242)	(253)
Net (decrease)/increase in accrued interest and fees payable	(237)	286
Net increase/(decrease) in derivative related amounts	356	(212)
Other changes	(62)	(146)
Cash flows from operating activities	558	316
Investing Activities		
Loan disbursements	(7,210)	(6,374)
Loan repayments	4,434	3,380
Decrease/(increase) in marketable securities	421	(1,204)
(Increase)/decrease in investments	(3)	163
Cash flows used in investing activities	(2,358)	(4,035)
Financing Activities		
Issue of long-term loans payable	4,889	6,971
Repayment of long-term loans payable	(3,173)	(2,475)
Decrease in short-term loans payable	(607)	(60)
Cash flows from financing activities	1,109	4,436
Effect of exchange rate changes on cash and cash equivalents	17	(20)
Net (decrease)/increase in cash and cash equivalents	(674)	697
Cash and Cash Equivalents		
Beginning of year	778	81
End of year	$104	$778
Represented by		
Cash	65	18
Treasury bills	39	760
	$104	$778
Supplemental Information		
Cash paid for interest	$1,069	$708

See accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Mandate and Activities

Export Development Corporation ("the Corporation" or "EDC") was established on October 1, 1969, by the *Export Development Act* ("the Act"), a statute of the Parliament of Canada that was last amended effective June 10, 1993. The Corporation is an agent of Her Majesty in right of Canada and was established for the purposes of supporting and developing, directly or indirectly, Canada's export trade and Canadian capacity to engage in that trade and to respond to international business opportunities. The Act as amended in 1993 gives EDC the flexibility to consider a wider range of options to meet the needs of Canadian exporters and those investing in foreign markets. The Act provides that a review of the provisions and operation of the Act must be undertaken at specified regular intervals. The first such review was completed in 2000. The Government's response to the recommendations of the House Standing Committee on Foreign Affairs and International Trade and the Senate Committee on Banking, Trade and Commerce, in respect of the review, are currently being addressed or implemented. The Corporation is accountable for its affairs to Parliament through the Minister for International Trade.

EDC incorporated Exinvest Inc. ("the Subsidiary") under the *Canada Business Corporations Act* in 1995. The activities of the Subsidiary have been consolidated with those of the Corporation.

The earnings of the Corporation and its Subsidiary are not subject to the requirements of the *Income Tax Act*.

The Corporation is subject to a limit imposed by the Act on its contingent liability programs. The Act specifies that the Corporation's contingent liabilities in respect of the principal amounts owing under all outstanding arrangements shall at no time exceed an amount equal to 10 times the authorized capital of the Corporation, or such a greater amount as may be specified in an appropriation Act. During 1999, the limit was increased from $15 billion to $17.5 billion by an appropriation Act. As at December 31, 2000, the contingent liabilities are $14.4 billion (1999 – $12.7 billion).

EDC is for all purposes an agent of Her Majesty in right of Canada. All obligations under debt instruments issued by the Corporation are obligations of Canada. The Act allows the Corporation to borrow up to a maximum of 15 times the aggregate of its current paid-in capital and the retained earnings determined in accordance with the previous year's audited financial statements. The maximum applicable to December 31, 2000, is $27.0 billion (1999 – $25.2 billion), against which borrowings amounted to $17.6 billion (1999 – $16.3 billion).

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash equivalents represent short-term highly liquid investments that are readily convertible into known amounts of cash and that are subject to an insignificant risk of changes in value. Cash and cash equivalents on EDC's balance sheet comprise cash and treasury bills. Cash flows arising from transactions in a foreign currency are translated at the yearly average exchange rate. As well, investing or financing transactions that do not require the use of cash or cash equivalents are excluded from the statement of cash flows and disclosed elsewhere in the financial statements.

Marketable Securities and Investments

Securities and investments that are being held to maturity are carried at cost. Gains and losses on these securities and investments are recognized in income only when they are realized and the asset is removed from the balance sheet. In the case of a significant and other than temporary loss in the value of a security or investment carried at cost, the security or investment would be written down in value at the time of impairment. Temporary investments are carried at market value. The gains and losses arising from securities carried at market value are included in marketable securities and investment interest income.

Net Loans Receivable

Net loans receivable are stated net of non-accrued capitalized interest, deferred loan revenue, and the allowance for losses on loans. Non-accrued capitalized interest represents contractual interest capitalized according to rescheduling agreements with sovereign borrowers during which time the loans are classified as impaired, but not recognized for financial statement purposes. Rescheduled loans are considered performing unless they meet the criteria of impaired loans.

Loan interest is recorded on an accrual basis until such time as management determines that a loan should be classified as impaired. Loans are classified as impaired when circumstances indicate that the Corporation no longer has reasonable assurance that the full amount of principal and interest will be collected on a timely basis in accordance with the terms of the loan agreement. Amounts received for impaired loans are credited to the book value of the loans. No portion of cash received on a loan subsequent to its classification as impaired is recorded as interest income until such time as any specific allowance has been reversed, and it is determined that the loan principal is fully collectible in accordance with

the contractual terms of the loan. An impaired loan is restored to a performing basis after a pattern of regular payments has been established, normally three years. When the Corporation restores the impaired loan to an accrual basis, previously non-accrued capitalized interest is recognized over the remaining term of the loan.

Deferred loan revenue, comprising exposure fees and administration fees, is recognized as interest income and amortized as a yield increment over the term of the related loan.

Measurement Uncertainty

To prepare the Corporation's financial statements in accordance with generally accepted accounting principles, it is necessary for management to make assumptions and estimates based on information available as at the date of the financial statements. The most material of these estimates are the allowance for losses on loans (note 7) and the allowance for claims on insurance and guarantees (note 10). Management determines the allowances using various assumptions, based on its assessment of the impact of recent events and changes in economic conditions and trends. These estimates are reviewed periodically during the course of the year as required and in detail as at the date of the financial statements. Actual losses on loans and liabilities for contingencies incurred may vary significantly from management's estimates. The uncertainty in the estimation process arises, in part, from the use of historical data to identify and quantify credit deterioration. While historical data may be the most reliable basis available to calculate these amounts, economic events may occur in the near term that render previous assumptions invalid and cause a material change to management's estimates.

The general allowance for losses on loans is estimated using historical loan default and recovery rates. For specifically identified impaired loans, recoverable amounts are calculated using the best estimates of the timing and amount of future cash flows for each borrower.

The allowance for claims on insurance and guarantees contains two components: the portion arising from the insurance program and the portion relating to loan guarantees. The allowance pertaining to the insurance program is calculated by discounting estimated future net claims less future net premiums, based on assumptions consistent with the Corporation's past experience. Additional amounts are provided for possible adverse deviation from best estimate assumptions. While these amounts vary with the degree of uncertainty inherent in each program and with the homogeneity of policies (size and term) within each portfolio, the valuation process conforms to the recommendations of the Canadian Institute of Actuaries. The allowance pertaining to loan guarantees uses the same assumptions as the general allowance for losses on loans.

Allowance for Losses on Loans

The allowance for losses on loans is based on a review of collectibility of all loans to commercial and sovereign borrowers and represents management's best estimate of probable credit losses on loans receivable.

Specific allowances are established on an individual loan basis to recognize credit losses. When a loan is considered impaired, the carrying value of the loan is reduced to its estimated realizable value by discounting expected cash flows at the rates inherent in the loan. The amount of initial impairment and any subsequent changes due to the re-evaluation of estimated future cash flows are recorded through the provision for credit losses as an adjustment to the specific allowance for impaired loans.

General allowances include all accumulated provisions for losses on loans that are prudential in nature and for which impairment has not been specifically identified. In establishing the general component of the allowance, management models its portfolio into credit risk pools and applies information from external credit-rating agencies, augmented by corporate experience, on historical default rates and loss percentages to determine the allowance for losses on loans. These allowances are established to absorb credit losses in the portfolio where, in management's opinion, there is evidence of impairment given the current economic conditions and trends surrounding particular industries, geographic regions or other loan concentrations in the portfolio. This evidence can exist as early as the time of disbursement.

Recoverable Insurance Claims

Recoverable insurance claim payments are recorded at estimated recoverable values. Subsequent net gains or losses on recovery are credited or charged to the allowance for claims on insurance and guarantees when recoverable values are re-estimated.

Allowance for Claims on Insurance and Guarantees

The allowance for claims on insurance is based on an actuarial review of net loss experience and potential net losses and represents management's best estimate of the net present value of the liability under existing policies. The allowance for loan guarantees is determined on the same basis as the general allowance for losses on loans. The related provision is recorded through the provision for credit losses.

Insurance Premiums

For short-term insurance policies, premiums are taken into income at the commencement of coverage. Premiums on other export insurance policies are taken into income using methods that generally reflect the exposures over the terms of the policies and are amortized over the life of the policies on a straight line basis. Reinsurance premiums and recoveries on losses incurred are recorded as reductions of the respective income and balance sheet accounts. Unearned premiums on insurance transferred to reinsurers and estimates of amounts recoverable from reinsurers on unpaid claims are deducted from deferred premiums and recoverable claims respectively.

Derivative Financial Instruments

The Corporation uses a variety of derivative financial instruments to manage operating exposures such as foreign exchange fluctuations and changes in interest rates. These derivative financial instruments are designated and effective as hedges. These contracts are carried on an accrual basis. Premiums paid or discounts received on these instruments are deferred and amortized over the life of the contract. Net receipts or payments are recognized in income on an accrual basis in the same period and the same financial statement category to which the contract is related. Where netting agreements exist, principal and accrued interest on contracts hedging long-term debt or marketable securities are aggregated by contract. Resulting receivable balances are recognized in other assets and resulting payable balances are recognized in other liabilities and deferred revenue. Derivative financial instruments hedging short-term loans payable are recognized in other assets or other liabilities and deferred revenue, according to their nature.

Translation of Foreign Currency

All monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the end of the year. Income and expenses are translated at monthly average exchange rates in effect during the year. Exchange gains and losses resulting from the translation of foreign currency balances and transactions are included with interest expense.

Interest Expense

Interest expense includes expenses of commercial paper, registered claims, bonds, derivative financial instruments, the amortization of debt discount and issue expenses, and foreign exchange gains and losses. Gains or losses incurred when the Corporation repurchases its bonds, and unwinds any swaps related to those bonds, are either taken into income at the time of the transaction, or deferred and amortized over the life of a replacement debt issue, should one be issued.

Employee Benefits

Effective April 24, 2000, EDC implemented a defined benefit pension plan to provide retirement benefits to its employees. Pension costs are actuarially determined using the projected benefit method pro rated on services and management's best estimate assumptions. The latest valuation was completed by an independent actuary as at December 31, 2000. The discount rate used to determine the accrued benefit obligation was based on market rates for long-term high-quality bonds. Pension fund assets are valued at fair value for the purpose of calculating the expected return on plan assets.

The annual pension expense consists of the actuarially determined pension benefits for the current year's service; imputed interest on projected pension obligations net of interest earned on plan assets; and the amortization of actuarial gains or losses and other items over the average remaining service period of active employees expected to receive benefits under the plan. Actuarial gains or losses are amortized only if the net actuarial gain or loss at the beginning of the year is in excess of 10% of the greater of the accrued benefit obligation and the fair value of plan assets.

The cumulative difference between the pension expense and funding contributions is included in Accounts payable and other credits.

The Corporation also provides other post-retirement benefits for employees including life insurance and health and dental care benefits. The cost of these benefits has been actuarially determined and is accrued for as earned by employees.

The Corporation has adopted the new standard issued by the Canadian Institute of Chartered Accountants (CICA) with respect to the recording and disclosing of employee benefits. The recommendations of the new standard are being applied prospectively.

▸ 3. Marketable Securities

The Corporation maintains liquidity sufficient to meet general operating requirements, to maintain stability in the short-term borrowing program and to provide flexibility in achieving corporate objectives. In order to meet these varied needs, marketable securities are held in either the investment portfolio or the temporary investment portfolio.

Securities in the investment portfolio are held for liquidity as well as for the longer term. Temporary investments are intended to be held for a short period of time. Credit exposure related to securities held in the investment portfolio and the temporary investment portfolio is represented by their carrying value.

($ in millions)	Portfolio		2000	1999
Issued or guaranteed by:	Investments	Temporary Investments	Total	Total
Canadian government*	397	–	397	528
Corporate	780	250	1,030	449
Financial institutions	561	80	641	1,480
Other sovereign	15	–	15	14
Total Marketable Securities	$1,753	$330	$2,083	$2,471

** Canadian government includes federal, provincial and municipal governments and Crown corporations.*

The table below shows yields on EDC's marketable securities and how derivative financial instruments have been used to manage interest rate and foreign currency exposures of the Corporation's investment portfolio.

($ in millions)	Remaining Term to Maturity*			2000	1999
	Under 1 Year	1 to 3 Years	Over 3 Years	Total	Total
Investment portfolio					
Fixed rate securities	250	226	45	521	686
Swap contracts	(66)	(106)	–	(172)	(202)
Subtotal	184	120	45	349	484
*Yield to maturity %**	*5.53*	*5.59*	*6.86*	*5.92*	*5.93*
Floating rate securities	1,186	10	36	1,232	1,314
Swap contracts	58	104	–	162	183
Subtotal	1,244	114	36	1,394	1,497
*Yield to reset %**				*6.38*	*5.55*
Total investment portfolio	1,428	234	81	1,743	1,981
Temporary investments					
Floating rate securities	330	–	–	330	471
Spot yield %				*5.73*	*5.18*
Value at purchase				*329*	*468*
Total	$1,758	$234	$81	$2,073	$2,452

** Refers to yield and term to maturity for fixed rate investments, and yield and term to reset for floating rate investments.*

Credit exposure for swap contracts is a fraction of the notional amount of the instruments shown above, and is represented by the replacement cost of those contracts. Credit exposure for swap contracts held in the investment portfolio is included as part of note 16.

▶ 4. Investments

Investments comprise $121 million (1999 – $115 million) of restricted cash and securities held by EDC's subsidiary Exinvest Inc. and notes issued by Vancouver Port Authority (formerly Vancouver Port Corporation) and the Royal Canadian Mint, totalling $49 million (1999 – $53 million). EDC intends to hold these notes to maturity. The Royal Canadian Mint is a Crown corporation and is related to EDC as a result of common ownership. The investment with the Royal Canadian Mint was transacted at fair value, made on the same terms as those with third parties with similar credit risk, and is recorded at cost.

($ in millions)	Remaining Term to Maturity*			2000	1999
	Under 1 Year	1 to 3 Years	Over 3 Years	Total	Total
Fixed rate investments	4	8	37	49	53
Floating rate investments	121	–	–	121	115
Total Investments	125	8	37	170	$168
*Yield %**	*5.87*	*6.34*	*6.46*	*6.41*	*6.33*

** Refers to yield and term to maturity for fixed rate investments, and yield and term to reset for floating rate investments.*

▶ 5. Net Loans Receivable

The following table shows the contractual maturity and related contractual effective yields for gross loans receivable. The yields are computed on a weighted average basis by amount and term. Floating rate yields are expressed as spreads over base rates which consist mainly of LIBOR for U.S. dollars and Prime for Canadian dollars.

($ in millions)	2000					1999				
	Fixed $	Yield to Maturity %	Floating $	Spread %	Total $	Fixed $	Yield to Maturity %	Floating $	Spread %	Total $
Performing:										
Overdue	47	8.96	59	1.61	106	108	9.11	8	3.21	116
2000	–	–	–	–	–	855	8.34	2,155	1.58	3,010
2001	1,019	8.40	3,774	1.49	4,793	926	8.56	1,683	2.33	2,609
2002	764	8.32	1,382	1.92	2,146	675	8.47	1,091	1.83	1,766
2003	692	8.14	1,268	1.82	1,960	582	8.23	910	1.55	1,492
2004	691	7.96	1,127	1.83	1,818	566	8.00	747	1.60	1,313
2005	629	7.85	972	1.71	1,601	492	7.81	603	1.66	1,095
2006–2010	2,583	7.68	2,391	1.33	4,974	1,867	7.71	1,929	1.24	3,796
2011 and beyond	2,504	7.58	798	.81	3,302	1,350	7.70	743	0.86	2,093
Performing	8,929	7.68	11,771	1.49	20,700	7,421	7.81	9,869	1.58	17,290
Impaired (note 6)	199		1,124		1,323	176		1,132		1,308
Gross loans receivable	$9,128		$12,895		$22,023	$7,597		$11,001		$18,598
Less: Non-accrued capitalized interest on										
Impaired loans (note 6)					616					573
Performing loans*					549					609
Loans receivable					20,858					17,416
Less: Allowance for losses on loans (note 7)					2,700					2,324
Deferred loan revenue					272					248
Net Loans Receivable					$17,886					$14,844

** Represents the unamortized balance that accrued while the loan was impaired.*

At December 31, 2000, the floating rate performing gross loans receivable are yielding 8.36% (1999 – 7.52%) with an average term to reset of 94 days (1999 – 108 days).

The breakdown of the Corporation's performing gross loans receivable between sovereign and commercial is as follows:

($ in millions)	2000					1999				
	Fixed $	Yield to Maturity %	Floating $	Spread %	Total $	Fixed $	Yield to Maturity %	Floating $	Spread %	Total $
Sovereign	3,290	8.44	3,025	1.27	6,315	3,256	8.45	3,027	1.23	6,283
Commercial	5,639	7.36	8,746	1.60	14,385	4,165	7.45	6,842	1.75	11,007
Total	$8,929	7.68	$11,771	1.49	$20,700	$7,421	7.81	$9,869	1.58	$17,290

The following reflects the movement of non-accrued capitalized interest during the year:

($ in millions)	2000	1999
Balance at beginning of year	$1,182	$1,255
Capitalized interest	22	68
Amortization	(77)	(69)
Cash receipts	5	(2)
Foreign exchange	33	(70)
Balance at end of year	$1,165	$1,182

▸ 6. Impaired Loans Receivable

The Corporation has $1,323 million impaired gross loans receivable (1999 – $1,308 million), of which $1,166 million is sovereign (1999 – $1,060 million) and $157 million is commercial (1999 – $248 million). The following reflects the movement in the impaired loans portfolio during the year:

($ in millions)	2000	1999
Balance at beginning of year	1,308	1,929
Loans classified as impaired	95	161
Loans reinstated to performing	–	(647)
Loans written off	(105)	–
Capitalized interest	23	39
Principal repayments	(42)	(15)
Receipts from the Government of Canada for sovereign debt relief	(12)	(59)
Foreign exchange	56	(100)
Balance at end of year	$1,323	$1,308

The $105 million (1999 – nil) of loans written off consists of six commercial loans to borrowers in South Korea, France, Zambia, Liberia, Canada and Russia. These loans were written off after all collection methods had been exhausted and no further prospect of recovery was likely. All loans were written off against the allowance for loan losses and did not affect net income for the year.

The largest concentrations of gross loans receivable for impaired loans are listed in the following table.

($ in millions)	2000				1999		
	Gross Loans Receivable	Non-accrued Capitalized Interest	Loans Receivable		Gross Loans Receivable	Non-accrued Capitalized Interest	Loans Receivable
Sovereign							
Cameroon	411	262	149	Cameroon	379	234	145
Ivory Coast	249	172	77	Ivory Coast	235	169	66
Russia	119	47	72	Russia	117	46	71
Congo	54	41	13	Congo	52	40	12
Gabon	52	25	27	Gabon	50	25	25
Other	281	63	218	Other	227	53	174
Subtotal	1,166	610	556		1,060	567	493
Commercial	157	6	151		248	6	242
Total Impaired	1,323	616	707		$1,308	$573	$735
Less: Specific allowance (note 7)			431				402
Net Impaired Loans Receivable			$276				$333

During 2000, payments of principal and interest from borrowers for impaired loans were $52 million (1999 – $33 million). These amounts were applied to the book value of the impaired loans and did not affect interest income.

▸ 7. Allowance for Losses on Loans

The composition of the allowance for losses on loans is as follows:

($ in millions)	2000			1999		
	Commercial	Sovereign	Total	Commercial	Sovereign	Total
Specific allowance for impaired loans	138	293	431	211	191	402
General allowance	1,628	641	2,269	1,267	655	1,922
Total	$1,766	$934	$2,700	$1,478	$846	$2,324

The specific allowance for impaired loans reduces the carrying value of impaired loans to the net present value of expected cash flows. Estimated cash flows are based on historical payments from sovereign borrowers, demonstrating to a large extent each borrower's willingness and ability to meet future payments. The historical payments are then modified when necessary to derive the estimated future cash flows, which are then discounted using rates inherent in agreements.

The Corporation has significant geographic concentrations in below investment grade countries, as determined by external credit-rating agencies. Seven such countries, as outlined in the following chart, represent $5,100 million or 26% of the Corporation's performing loans receivable.

($ in millions)	2000			1999	
Country	Performing Gross Loans Receivable	% of Performing Loans	Country	Performing Gross Loans Receivable	% of Performing Loans
Mexico	1,029	5	Indonesia	896	5
Indonesia	939	5	Peru	741	4
Peru	832	4	Brazil	738	4
Brazil	790	4	Mexico	713	4
Venezuela	593	3	Venezuela	609	4
Algeria	544	3	Algeria	527	3
Argentina	373	2	Colombia	451	3
Total	$5,100	26	Total	$4,675	27

In addition, the Corporation has a single counterparty loan receivable of $1,433 million (1999 – $1,151 million) with a ground transportation entity in the United States.

During the year, changes to the allowance for losses on loans were as follows:

($ in millions)	2000			1999		
	Specific	General	Total	Specific	General	Total
Balance at beginning of year	402	1,922	2,324	421	1,639	2,060
Portfolio growth	–	246	246	(4)	290	286
Credit migration	–	25	25	–	90	90
Net increase in impairment	110	–	110	21	–	21
Write-offs*	(105)	–	(105)	–	–	–
Foreign exchange	24	76	100	(36)	(97)	(133)
Balance at end of year	$431	$2,269	$2,700	$402	$1,922	$2,324

** See note 6 for more information on the loan write-offs.*

▸ 8. Loan Commitments

The Corporation has undisbursed commitments of $4,825 million (1999 – $5,345 million). Over the next two years, management estimates that the Corporation will disburse 67% of the remaining undisbursed commitments.

The projected disbursement of the loan commitments is as follows:

($ in millions)	2000		1999	
Year	Projected Disbursements	%	Projected Disbursements	%
2000	–	–	2,798	52
2001	2,776	58	706	13
2002	451	9	348	7
2003 and beyond	1,598	33	1,493	28
Total	$4,825	100	$5,345	100

Undisbursed commitments with their locked-in effective yields are outlined in the following table. All yields are computed on a weighted average basis and the spreads over floating interest rates are represented mainly by LIBOR for U.S. dollars.

($ in millions)	2000				1999			
	Fixed $	Spot Yield %	Floating $	Spread %	Fixed $	Spot Yield %	Floating $	Spread %
Sovereign	1,539	8.31	258	2.93	1,891	8.35	215	2.72
Commercial	65	6.45	2,963	2.26	71	6.83	3,168	1.83
Total	$1,604	8.24	$3,221	2.32	$1,962	8.29	$3,383	1.88

▸ 9. Contingent Liabilities

The Corporation's contingent liabilities include both short-term and medium-term insurance policies and guarantees. The short-term program protects exporters of goods and services trading on credit terms of up to a year against non-payment due to commercial and political risks. Commercial risks covered include buyer insolvency, default, repudiation of goods by buyer and contract cancellation. Political risks covered by EDC are conversion and risk transfer, cancellation of export or import permits, or war-related risks. The medium-term program provides cover for sales on credit terms greater than

one year and includes export credits insurance and guarantees, loan guarantees, performance insurance extending cover for risks inherent in performance and bid guarantees, and political risk insurance, which provides political risk protection for equity and other investments abroad.

As at December 31, 2000, the Corporation has insurance policies and guarantees outstanding of $14,402 million (1999 – $12,721 million), which mature as follows:

($ in millions)	2000	1999
Short-term program	7,405	7,147
Medium-term program		
2000	–	1,058
2001	1,394	963
2002	1,119	299
2003	2,441	1,721
2004	457	283
2005	525	420
2006–2010	538	542
2011 and beyond	523	288
Total	$14,402	$12,721

The major concentrations by location of ultimate risk are as follows:

($ in millions)	2000				1999		
	Short-term	Medium-term	Total		Short-term	Medium-term	Total
U.S.	3,210	1,589	4,799	U.S.	2,821	1,367	4,188
Canada	856	1,884	2,740	Canada	1,036	1,102	2,138
Brazil	362	305	667	Brazil	419	281	700
Mexico	202	246	448	China	217	174	391
Turkey	195	155	350	U.K.	141	182	323
Other	2,580	2,818	5,398	Other	2,513	2,468	4,981
Total	$7,405	$6,997	$14,402	Total	$7,147	$5,574	$12,721

Reinsurance of $977 million (1999 – $520 million) has been deducted from the insurance policies outstanding.

Reinsurance premiums of $12 million were deducted from total premiums earned for the year ended December 31, 2000 (1999 – $5 million).

▶ 10. Recoverable Insurance Claims and Allowance for Claims on Insurance and Guarantees

During the year, changes to the recoverable insurance claims were as follows:

($ in millions)	2000	1999
Balance at beginning of year	77	44
Claims paid	84	134
Claims recovered	(30)	(17)
Re-evaluation of recoverable claims	(62)	(82)
Foreign exchange	5	(2)
Balance at end of year	$74	$77

Of the $84 million in claim payments made during 2000, 93% were related to the short-term program. The largest concentrations of claim payments and recoveries were in the following countries:

($ in millions)	2000			1999	
	Claims Paid	Claims Recovered		Claims Paid	Claims Recovered
U.S.	28	9	U.S.	34	7
Ecuador	14	–	Russia	27	–
India	9	–	Hong Kong	18	–
Canada	8	1	China	10	–
Mexico	3	1	Brazil	6	1
Other	22	19	Other	39	9
Total	$84	$30	Total	$134	$17

During the year, changes to the allowance for claims on insurance and guarantees were as follows:

($ in millions)	2000	1999
Balance at beginning of year	454	436
Provision for claims on insurance	158	133
Provision for loan guarantees	10	(7)
Re-evaluation of recoverable claims	(62)	(82)
Claims expense	(6)	(3)
Foreign exchange	15	(23)
Balance at end of year	$569	$454

▶ 11. Provision for Credit Losses

The composition of the provision for credit losses is as follows:

($ in millions)	2000	1999
Provision for losses on loans	381	397
Provision for claims on insurance	158	133
Provision for loan guarantees	10	(7)
Provision for Credit Losses	$549	$523

▶ 12. Debt Instruments

The Corporation issues debt instruments in world capital markets. Short-term payables consist of commercial paper and other short-term debt related instruments that are issued by EDC with maturities under one year. Long-term payables represent bonds and other long-term instruments issued by the Corporation in Canadian dollars, U.S. dollars and other currencies. EDC uses currency swaps to convert foreign denominated fixed rate notes primarily to U.S. dollars. Interest rate swaps are principally used to convert fixed rate instruments to floating rates primarily related to LIBOR. EDC uses derivative contracts and structured notes to minimize the cost of capital and also for asset/liability management purposes.

Loans Payable

Loans payable are comprised as follows:

($ in millions)	2000	1999
Short-term payables	3,270	3,782
Long-term payables		
– due within current year	3,273	2,992
– over one year	11,040	9,531
Total long-term payables	14,313	12,523
Subtotal	17,583	16,305
Plus: unamortized discounts and premiums	(5)	5
deferrals	5	15
Total Loans Payable	$17,583	$16,325

Unamortized discounts and premiums are associated with the issue of long-term debt and swaps. The amount of a discount or premium recorded represents the difference between the face value of an instrument and the actual cash flow at the time of settlement. Deferrals include gains incurred upon debt repurchases and swap unwinds. Such amounts are recorded as an asset or liability at the settlement date and amortized over the life of the instrument (in the case of discounts and premiums) or over the life of the replacement instrument (in the case of deferrals).

Accrued Interest

Accrued interest reflects corporate cash flow obligations and rights. Accrued interest is comprised as follows:

($ in millions)	2000	1999
Short-term	32	54
Long-term	422	644
Total Accrued Interest Payable	$454	$698

Structured Notes

EDC has entered into a number of structured notes as part of its funding program. Structured notes are hybrid securities that combine fixed income products with derivative components.

Structured notes outstanding, included in loans payable, are as follows:

($ in millions)	2000	1999
Callable/extendible	1,982	1,446
Inverse floating rate note	730	–
Equity index	596	788
Dual currency	543	984
Barrier	–	240
Other	250	180
Total	$4,101	$3,638

The Corporation has executed swap contracts to mitigate market risk on these structured borrowings. These contracts ensure that EDC will receive proceeds from the swap to meet the requirements of settling and servicing the debt obligation. The Corporation has in substance created floating rate debt by issuing bonds at fixed rates and entering into swap contracts whereby EDC receives fixed rate interest and pays interest at a floating rate. In swapping out of the underlying bond issue, the potential market risk has been converted to credit risk. Credit risk is managed by contracting with counterparties evaluated as creditworthy, based on treasury limits and policy guidelines as approved by the Board of Directors. Credit exposure on derivative financial instruments is further discussed in note 16.

▸ 13. Debt Instrument Maturities

The following table shows how EDC has used derivative financial instruments to manage interest rate exposure on debt instruments.

($ in millions)	2000							1999	
Year of Maturity	Debt Issues	Derivatives Hedging Specific Debt Issues	Net	Yield* (%)	Derivatives Not Hedging Specific Debt Issues	Net	Yield* (%)	Net	Yield* (%)
Fixed Rate Issues									
2000	–	–	–	–	–	–	–	289	8.63
2001	2,033	(1,583)	450	6.25	15	465	6.28	433	6.25
2002	2,296	(1,396)	900	6.88	15	915	6.91	866	6.40
2003	1,933	(1,029)	904	6.47	15	919	6.49	870	6.81
2004	1,482	(1,055)	427	6.75	15	442	6.79	–	–
2005	241	(241)	–	–	465	465	6.69	–	–
2006–2010	3,282	(3,045)	237	8.60	76	313	8.51	228	8.60
2011 and beyond	109	(79)	30	8.25	60	90	8.20	29	8.25
Subtotal	11,376	(8,428)	2,948	7.25	661	3,609	7.25	2,715	7.49
Floating Rate Issues									
2000	–	–	–		–	–		6,351	
2001	4,510	1,670	6,180		(15)	6,165		1,169	
2002	772	1,420	2,192		(13)	2,179		1,077	
2003	177	1,040	1,217		(15)	1,202		366	
2004	159	1,106	1,265		(15)	1,250		1,604	
2005	41	245	286		(465)	(179)		198	
2006–2010	535	3,057	3,592		(77)	3,515		2,327	
2011 and beyond	13	82	95		(61)	34		219	
Subtotal	6,207	8,620	14,827	6.44	(661)	14,166	4.70	13,311	5.63
Total	$17,583	$192	$17,775		–	$17,775		$16,026	

** Refers to yield to maturity for fixed rate issues, and yield to reset for floating rate issues.*

Credit exposure and other details on swap contracts are included as part of Note 16.

▶ 14. Share Capital

The authorized share capital is $1.5 billion consisting of 15 million shares with a par value of $100 each. The number of shares issued and fully paid is 9.8 million (1999 – 9.8 million). No shares were issued in 2000 (1999 – nil).

▶ 15. Foreign Currency Balances

The Corporation has substantial assets and liabilities in U.S. dollars and in other currencies. In addition, EDC has derivative financial instruments denominated in various currencies. The purpose of these derivative financial instruments is to minimize the cost of capital and optimize yields for the Corporation, while remaining within treasury guidelines and limits approved by the Board of Directors.

The table below shows where EDC has used derivative financial instruments to manage the foreign currency exposures of its asset and liability positions. The resulting net foreign currency exposure as at December 31 (expressed in Canadian equivalent dollars) is as follows:

($ in millions)	2000								1999	
	Assets			Liabilities			Net Foreign Currency Exposure	Rate	Net Foreign Currency Exposure	Rate
	Gross	DFI*	Net	Gross	DFI*	Net				
U.S. Dollars	16,864	365	17,229	(9,564)	(7,753)	(17,317)	(88)	1.5002	(17)	1.4433
Euro	442	(15)	427	(879)	455	(424)	3	1.4092	1	1.4525
British Pounds	842	(11)	831	(69)	(762)	(831)	–	2.2432	2	2.3314
Japanese Yen	35	(35)	–	(502)	502	–	–	0.0131	–	0.0141
New Zealand Dollars	–	–	–	(166)	166	–	–	0.6641	–	0.7547
Australian Dollars	8	(8)	–	(87)	87	–	–	0.8349	–	0.9482
Hong Kong Dollars	–	–	–	(78)	78	–	–	0.1924	–	0.1857
South African Rand	–	–	–	(11)	11	–	–	0.1984	–	0.2347
Swedish Krona	9	–	9	–	(9)	(9)	–	0.1587	–	0.1697
Norwegian Krone	5	–	5	–	(5)	(5)	–	0.1705	–	0.1801

* *"Derivative Financial Instruments" include currency swaps and foreign exchange contracts. See note 16.*

The Corporation experienced a foreign exchange gain of $1 million in 2000 (1999 – loss of $12 million). This amount is included in interest expense. Throughout the year, EDC's assets and liabilities were denominated mainly in U.S. dollars, Euros and British pounds.

▶ 16. Derivative Financial Instruments

The Corporation actively manages its exposure to market risk through the use of derivative financial instruments. Treasury policy and guidelines limit the use of derivatives. EDC does not use derivatives for speculative purposes. It uses a variety of these instruments to manage funding costs and investment returns, and to implement asset/liability management strategies in order to minimize market risks in EDC's portfolios. The credit risk in these instruments is managed in accordance with guidelines established in the Treasury Risk Management Department and approved by the Board of Directors.

EDC currently uses, but is not limited to, the following types of instruments:

Interest rate swaps – transactions in which two parties exchange interest flows on a specified notional amount on predetermined dates for a specified period of time using agreed-upon fixed or floating rates of interest. Notional amounts upon which interest payments/receipts are based are not exchanged.

Currency swaps – transactions in which two parties exchange currencies at inception and at maturity, as well as interest flows on the exchanged amounts on predetermined dates for a specified period of time using agreed-upon fixed or floating rates of interest.

Equity index swaps – transactions used to eliminate exposure to movements in an equity index on a debt issue undertaken by the Corporation. Two counterparties agree to exchange payments, one of which represents the percentage change in an agreed-upon equity index and the other a short-term interest rate index. The principal may either resemble an interest rate swap, in that no exchange of notional amounts occurs, or a currency swap, in which currencies will be exchanged at both inception and maturity.

Foreign exchange contracts – commitments to purchase or sell foreign currencies for delivery at a specified date in the future at a fixed rate.

Forward rate agreements – short-term contracts between two counterparties locking in an interest rate for a specified period, notional amount and interest rate index, starting on a specified date in the future.

Futures – future commitments to purchase or deliver money market instruments on a specified future date at a specified price. The instruments are obligations between the Corporation and the organized exchange upon which the contract is traded.

Options – contracts that grant the right, but not the obligation, to purchase a financial asset at a specified price during a specified period.

In any transaction there is a potential for loss. This loss potential is represented by (1) credit risks, wherein the counterparty fails to perform an obligation as agreed upon, causing the other party to incur a financial loss, and (2) market risks, where an exposure exists as a result of changes in foreign exchange rates or interest rates.

The Corporation manages its exposure to credit risk by contracting only with financial institutions having minimum original credit ratings of A for terms of three years and under, and AA- for terms greater than three years. Internal policies and procedures establish credit approvals, controls and monitoring. The Corporation does not anticipate any significant non-performance by the counterparties.

The Corporation manages its exposure to market risk (interest rate and foreign exchange) using limits developed in consultation with the Department of Finance and approved by the Audit Committee of the Board of Directors.

Credit impairment in the derivative financial instruments, marketable securities and investments has been estimated not to exceed $20 million. Accordingly, an allowance for credit risk of $20 million (1999 – $20 million) has been established. This amount is included in accounts payable.

Interest rate, currency swap and foreign exchange contracts entered into by the Corporation with contractual or notional principal amounts outstanding as at December 31 are listed below.

($ in millions)	Remaining Term to Maturity				2000	1999
	Under 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total	Total
Currency swaps	1,662	1,555	1,227	3,690	8,134	7,630
Interest rate swaps	1,002	1,819	750	120	3,691	3,124
Foreign exchange contracts	2,786	–	–	–	2,786	3,153
Total derivative financial instruments	$5,450	$3,374	$1,977	$3,810	$14,611	$13,907
Fair Value of Derivative Financial Instruments						
Positive	47	95	47	87	276	706
Negative	(151)	(42)	(76)	(107)	(376)	(254)

Swaps that have a positive fair value are those contracts that, if settled immediately, would result in a gain. Conversely, immediate settlement of a swap with a negative fair value would result in a loss.

▶ 17. Fair Value of Financial Instruments

The following chart outlines the book values and the fair values of the Corporation's financial instruments. As with any estimate, uncertainty is inherent due to the unpredictability of future events. In the case of estimating the fair value of the Corporation's financial instruments, this uncertainty is multiplied due to the large number of assumptions used and the wide range of acceptable valuation techniques. Estimates of fair values are based on market conditions at a certain point in time, and may not be reflective of future market conditions. Thus, the estimates of the value of financial instruments outlined as follows do not necessarily reflect the actual values that may occur should the instruments be exchanged in the market. It is not the Corporation's intent to settle these items in the market before they mature.

The aggregate of the estimates of the fair value of the financial instruments presented as follows does not reflect an estimate of the underlying value of the Corporation.

($ in millions)	2000		1999	
Balance Sheet Financial Instruments	**Book Value**	**Fair Value**	Book Value	Fair Value
Cash and marketable securities:				
Fixed rate securities	534	536	495	495
Floating rate securities	1,671	1,671	2,756	2,756
Investments	170	174	168	155
Loans receivable:				
Performing fixed rate	8,296	8,716	6,912	7,362
Performing floating rate	9,930	10,767	8,138	9,475
Impaired	276	276	333	333
Total	$20,877	$22,140	$18,802	$20,576
Accounts payable	84	84	92	92
Loans payable:				
Fixed rate	11,637	11,669	11,189	11,274
Floating rate	6,400	6,400	5,814	5,814
Total	$18,121	18,153	$17,095	$17,180

Note: The book value of assets and liabilities shown above differs slightly from the balances on the financial statements due to the exclusion of deferrals that do not have a fair value.

($ in millions)	2000	1999
Off-Balance Sheet Financial Instruments	**Fair Value**	Fair Value
Currency swap contracts	(57)	351
Interest rate swap contracts	18	21
Foreign exchange contracts	(61)	80
Undisbursed loan commitments:		
Fixed rate	103	67
Floating rate	(64)	(68)

The fair values of marketable securities and investments are estimated using observable market prices. If such prices are not available, a valuation technique is used that is consistent with accepted economic pricing methologies.

In order to estimate the fair value of its performing loans receivable, the Corporation separates its loans into risk pools and calculates the net present value of cash flows of principal and interest. The discount rate for the fixed rate portfolio is derived by taking the base rate, U.S. Treasuries for U.S. dollar fixed rate cash flows, for example, to which a spread for credit risk is added for each credit pool. The discount rate for the floating rate portfolio is derived similarly by adding to the base rate a spread for credit risk depending on the grade of credit. The fair value of undisbursed loan commitments is estimated using the same methodology used in the performing loans receivable estimate.

The estimate of the fair value of fixed rate loans payable and investments is based on a discounted cash flow approach with current market rates. Floating rate loans payable and investments reprice frequently; therefore, the carrying value approximates the fair value.

The nature of accounts payable is that they have a relatively short duration. Thus, the fair value of accounts payable is estimated to be equal to their book value.

The estimate of the fair value of the foreign exchange contracts is calculated using the current market spot and forward exchange rates at the end of the year. Currency swap contracts and interest rate swap contracts use a discounted cash flow approach. The discount rate used to estimate the fair value of the swap contracts is based on the current market swap rates at the end of the year as issued by Reuters and Telerate. These rates are used to calculate the present value of future interest payments and principal cash flows related to the swap contracts.

▸ 18. Related Party Transactions

The Corporation enters into transactions with other government departments, agencies and Crown corporations in the normal course of business.

When sovereign borrowers experience financial difficulties and are unable to meet their debt obligations, sovereign creditors, including the Government of Canada, agree at an international forum, the Paris Club, to formally reschedule the borrower's debt obligations. From time to time and on a case-by-case basis, the most heavily indebted sovereign borrowers are granted debt reduction or debt service relief. The granting of debt reduction or relief is contingent upon the sovereign borrower's ability to implement and maintain economic programs outlined by the International Monetary Fund. To date, the Government of Canada pays the Corporation an amount equal to the debt relief granted to the Corporation's sovereign borrowers by the Paris Club. Amounts received for debt relief arrangements on sovereign impaired loans are credited to the book value of the loans similar to the treatment accorded other receipts on impaired loans. To the extent that amounts received exceed the book value of the loans, interest income is recorded.

During 2000, the Corporation received from the Government of Canada $12 million (1999 – $59 million) for principal pursuant to debt relief arrangements.

In addition, the Corporation has loans receivable of $844 million and undisbursed commitments of $653 million, for which it has recourse to the Consolidated Revenue Fund of Canada in the event of a loan default.

▸ 19. Employee Benefits

Effective April 24, 2000, the Corporation established a pension plan for its employees. The plan is a defined benefit plan, providing benefits to retirees based on years of service and the final five years' average salary of the employees. All permanent employees of EDC are members of the pension plan; however, employee contributions to the plan are optional.

Employees had until January 4, 2001, to elect to transfer pension benefits accrued to April 23, 2000, to the new pension plan or leave them with the Public Service Superannuation Fund until retirement. The Government of Canada will transfer funds during 2001 to the Corporation's pension plan to fund the pension liabilities that are transferred. Consequently, the pension assets and the projected benefit obligation do not reflect any assets or liabilities in respect of credited service before April 24, 2000.

The following presents the financial position of EDC's pension plan at December 31, 2000.

	Pension Benefits Plan	
($ in thousands)	Registered Plan	Supplementary Plan
Projected Benefit Obligation:		
Obligation at beginning of year	–	–
Benefits earned during the year	5,442	986
Interest cost on benefit obligation	270	49
Benefits paid	(57)	(1)
Projected obligation at end of year	5,655	1,034
Fair Value of Plan Assets:		
Fair value at beginning of year	–	–
Actual return on plan assets	112	–
Employer contributions	3,807	582
Employee contributions	1,624	3
Benefits paid	(57)	(1)
Fair value at end of year	5,486	584
Funded status – plan deficit	(169)	(450)
Unamortized net actuarial loss	35	8
Accrued Benefit Liability	(134)	(442)

Net Pension Plan Expense:

($ in thousands)	Pension Benefits Plan	
	Registered Plan	Supplementary Plan
Benefits earned during the year (net of employee contributions)	3,818	983
Interest cost on benefit obligation	270	49
Expected return on plan assets	(147)	(8)
Total	$3,941	$1,024

As at December 31, 2000, 100% of the pension plan assets were invested in a fixed income fund.

Other Benefits Plan

The Corporation maintains a retiring allowance program and provides certain life insurance, health and dental care benefits to retired employees. These benefit plans are unfunded, and the Corporation's projected obligation related to these benefits at December 31, 2000, is $22.5 million, up from $20 million at December 31, 1999. Contributing to this increase were the benefits earned during 2000 of $1.6 million and the interest costs on the accrued benefit obligation of $1.5 million. There was an actuarial gain arising in 2000 of $110,000. The benefits paid during the year totalled $607,000. Adoption of the CICA's new standard for recording employee benefits has resulted in a transitional obligation of $10.2 million (representing the difference between what the Corporation had previously accrued and the actuarially determined initial obligation), which is being amortized against income. The current year's expense is $3.8 million, which includes amortization of the transitional obligation of $604,000.

Assumptions

The discount rate used for the projected benefit obligation is 7.25%. The average rate of general salary increase is expected to be inflation (assumed to be 3%) plus a 1% productivity gain plus an adjustment for merit. The expected long-term rate of return on plan assets is 8%, and the initial annual rate of increase for covered health care benefits is assumed to be 8%.

▶ 20. Canada Account Transactions

Pursuant to the Act, the Minister for International Trade, with the concurrence of the Minister of Finance, may authorize the Corporation to undertake certain financial and contingent liability transactions. These transactions and the legislative authorities that underlie them have come to be known collectively as the "Canada Account." The Board of Directors is responsible only for ensuring that the transactions made by the Corporation under the Canada Account are administered appropriately. Accounts for these transactions are maintained separately from the Corporation's accounts and are consolidated annually as at March 31 with the financial statements of the Government of Canada, which are reported upon separately by the Auditor General of Canada. The assets under the Canada Account, mainly loans receivable and accrued interest and fees recorded in accordance with the accounting policies and practices approved by the Government of Canada, amounted to $2,644 million at December 31, 2000 (1999 – $2,749 million).

The Act allows the Canada Account to have outstanding loans and commitments to foreign borrowers, and liabilities under contracts of insurance and other agreements up to a maximum of $13 billion. The position against this limit, determined in accordance with the requirements of the Act, is $4,921 million (1999 – $5,133 million). Reinsurance of $37 million has been deducted from the insurance policies in force.

The Corporation retained $28 million (1999 – $25 million) from Canada Account receipts and recoveries to meet expenses and overhead related to Canada Account transactions.

▶ 21. Reclassification of Comparative Figures

Certain 1999 comparative figures have been reclassified to conform to the presentation adopted in 2000.

Five-Year Review

▸ BALANCE SHEETS

as at December 31

($ in millions)	2000	1999	1998	1997	1996
Gross loans receivable	22,023	18,598	16,524	12,373	10,504
Less: non-accrued capitalized interest	1,165	1,182	1,255	1,082	998
Less: allowance for losses on loans	2,700	2,324	2,060	1,628	1,423
Less: deferred loan revenue	272	248	220	207	160
Net loans receivable	17,886	14,844	12,989	9,456	7,923
Cash and investments*	2,357	3,417	1,730	1,927	1,444
Accrued interest and other assets*	747	1,253	761	262	214
Total assets	$20,990	$19,514	$15,480	$11,645	$9,581
Loans payable*	17,583	16,325	12,636	9,556	7,735
Accrued interest and other liabilities*	846	937	728	208	189
Allowance for claims on insurance and guarantees	569	454	436	336	240
Total liabilities	18,998	17,716	13,800	10,100	8,164
Share capital	983	983	983	983	983
Retained earnings	1,009	815	697	562	434
Shareholder's equity	1,992	1,798	1,680	1,545	1,417
Total liabilities and shareholder's equity	$20,990	$19,514	$15,480	$11,645	$9,581

▸ INCOME STATEMENTS

for the year ended December 31

($ in millions)	2000	1999	1998	1997	1996
Interest income – loans	1,585	1,258	1,055	782	688
Interest income – marketable securities and investments	197	146	126	92	99
Less: interest expense	1,066	796	642	481	437
Net interest income	716	608	539	393	350
Insurance premiums and guarantee fees	144	133	110	99	92
Provision for credit losses	549	523	433	295	270
Income after provision for credit losses	311	218	216	197	172
Administrative expenses	117	100	81	69	60
Net income	$194	$118	$135	$128	$112

* *Figures prior to 1999 were not restated to reflect certain reclassifications made in 1998, 1999 and 2000 as the information was not reasonably determinable.*

▸ CORPORATE ACCOUNT

Financial Arrangements Facilitated

($ in millions)	2000	1999	1998	1997	1996
Export Financing					
Direct financing	**7,657**	6,060	6,639	5,454	3,678
Export Insurance					
Short-term insurance	**30,328**	27,625	23,990	20,332	15,756
Medium-term insurance	**7,080**	5,914	3,933	2,629	2,464
Guarantees	**325**	456	189	221	132
Subtotal	**37,733**	33,995	28,112	23,182	18,352
Total	**$45,390**	$40,055	$34,751	$28,636	$22,030

Financial and Other Data

Export Financing					
Number of transactions financed	**458**	372	351	242	172
Value of total obligations on loans receivable	**22,023**	18,598	16,524	12,469	10,517
Value of undisbursed loans	**4,825**	5,345	5,813	6,482	2,863
Value of disbursements	**7,210**	6,374	5,822	3,295	2,437
Value of liability on loan guarantees	**1,795**	1,643	1,723	416	347
Undisbursed amounts on loan guarantees	**112**	123	150	145	85
Number of current lines of credit and protocols	**44**	55	52	44	50
Amounts available for allocation	**1,176**	1,659	1,320	1,356	1,570
Loan amounts rescheduled	**264**	720	237	158	464
Loan amounts written off	**105**	–	–	18	–
Export Insurance					
Number of policies issued	**3,951**	3,879	3,345	3,021	2,591
Number of insurance policies and guarantees in force	**8,264**	7,190	6,272	5,352	4,404
Value of liability on insurance and guarantees	**12,495**	10,955	9,921	8,163	7,000
Value of claims paid	**84**	134	72	43	60
Value of claims recovered/rescheduled	**30**	17	19	16	11
Value of claims outstanding at end of year	**246**	234	164	119	100
Value of claims under consideration at end of year	**36**	38	62	15	14
Average employee strength during year	**838**	778	698	650	602

▸ CANADA ACCOUNT

Financial Arrangements Facilitated

($ in millions)	2000	1999	1998	1997	1996
Export Financing					
Direct financing	35	67	9	1,584	131
Export Insurance					
Short-term insurance	–	–	–	–	6
Medium-term insurance	224	247	497	283	299
Guarantees	–	–	12	34	–
Subtotal	224	247	509	317	305
Total	$259	$314	$518	$1,901	$436

Financial and Other Data

Export Financing					
Number of transactions financed	9	12	5	7	29
Value of total obligations on loans receivable	2,490	2,599	2,904	2,799	2,753
Value of undisbursed loans	192	183	194	309	373
Value of disbursements	76	66	100	112	171
Number of current lines of credit and protocols	3	2	2	1	1
Amounts available for allocation	73	73	87	20	20
Loan amounts rescheduled	3	45	45	136	9
Export Insurance					
Number of policies issued	1	4	12	12	7
Number of insurance policies and guarantees in force	5	20	25	23	22
Value of liability on insurance and guarantees	170	199	299	241	456
Value of claims paid	–	8	4	6	–
Value of claims recovered	–	–	7	–	4
Value of claims outstanding at end of year	46	46	38	41	34

Board of Directors

Members of the Board of Directors as at December 31, 2000

Ms. Dorothy E. Byrne, Q.C.
President, Eagle Island Consulting Corp.
Corporate Secretary,
Vancouver Whistler 2010 Bid Corporation
West Vancouver, British Columbia

Mr. Rayburn D. Doucett
President
Crosswaters Trade Brokers Limited
Belledune, New Brunswick

Mr. Robert A. Fung
Senior Partner
Capital West Partners
Toronto, Ontario

Mr. A. Ian Gillespie
President and Chief Executive Officer
Export Development Corporation
Ottawa, Ontario

Mr. Robert J. Holt
President
Applied Common Sense Solutions Inc.
Saltspring Island, British Columbia

Mr. Patrick J. Lavelle
Chairman of the Board
Export Development Corporation
Toronto, Ontario

Mr. Pierre MacDonald
President and Chief Executive Officer
MacD Consult Inc.
Verdun, Quebec

Mr. James A. Pattillo
President
Advance Film Group
Calgary, Alberta

Ms. Dominique Vachon
Vice-President and Chief Economist
Strategy Markets and Clients
National Bank of Canada
Montreal, Quebec

Ms. Grace S. White
President and Chief Executive Officer
CanJam Trading Ltd.
Dartmouth, Nova Scotia

Mr. Robert G. Wright
Deputy Minister for International Trade
Ottawa, Ontario

4 Vacancies

Corporate Governance Practices

EDC's Board of Directors (the "Board") recognizes the importance of good corporate governance practices in Crown corporations and believes that, to remain effective and fully accountable, self-assessment and critical review of its activities should be accomplished regularly.

Following that direction, the Board took the opportunity in 2000 to review and evaluate its actions with respect to corporate governance, and to assess its compliance with the Guidelines as set out in the Treasury Board's publication entitled *Corporate Governance in Crown Corporations and Other Public Enterprises* (the "Treasury Board Guidelines") and the appropriate trade-off of public policy and commercial objectives.

With the concern of effectively accomplishing their overseeing role of direction and management of the Corporation, the members of the Board completed, in January 2000, a very extensive evaluation questionnaire (the "2000 Survey") through which they could express their views on the effectiveness of the Board and its committees. In order to ensure confidential and objective results, an independent party, the Conference Board of Canada (the "Conference Board"), prepared the 2000 Survey and each director completed it during a face-to-face or telephone interview by the Conference Board.

Upon completion of the project in February 2000, Conference Board personnel gave the Board an overview of the results of the 2000 Survey, which were positive overall. In May 2000, at the request of the Corporate Governance Committee, a more in-depth presentation on the results was given by Conference Board personnel to the members of that Committee, and an action plan addressing key issues was agreed upon. Each of the key issues was then assigned to the appropriate Committee of the Board, with an obligation to report its progress to the Board in due course.

The 2000 Survey, combined with the other initiatives undertaken in 2000 or continued from 1999, confirmed once again that the Board, with the help of its seven committees, was complying with virtually all of the Treasury Board Guidelines. Where areas requiring attention were identified, appropriate action was taken. To efficiently assume the stewardship of the Corporation and ensure that the Corporation's mandate is fulfilled, a total of 44 meetings of the Board and its committees were held in 2000. A more in-depth analysis of the Corporation's compliance with the Treasury Board Guidelines is set forth below:

Board Stewardship

The most important responsibility to be fulfilled by the Board, the stewardship of the Corporation, was addressed in 2000 as follows:

Strategic Direction: The 2000 Survey revealed that EDC has a strong vision/mission, and resources are properly and efficiently assigned to achieve it. In assuming its responsibility and ensuring the accomplishment of the Corporation's mission, EDC's Board closely examined with management the strategic direction of the Corporation, held a meeting exclusively dedicated to such examination, and in October approved the 2001–2005 Corporate Plan. As part of this Corporate Plan, among other things and with the view to enable EDC to meet its corporate objectives, important e-commerce strategies were approved by the Board, including significant investments in key technology initiatives.

Identifying and Managing Risks: Early in 2000, the Risk Management Committee of the Board of Directors approved a plan directed towards the achievement by the end of 2004 of EDC's goal of developing and implementing a comprehensive Enterprise Risk Management ("ERM") framework, together with all supporting policies and processes for managing credit, market and operational risks. In this regard, the Committee also agreed on the key development areas to be pursued in 2000 under the Credit Risk Management Framework approved in December 1999 as the foundation for ERM at EDC, and at the end of the year noted the achievement of these objectives.

Succession Planning: Recognizing that, pursuant to both Treasury Board Guidelines and the Board's own assessment in the 2000 Survey, succession planning is an important responsibility of the Board so as to ensure that skilled management will be available for the ongoing and longer-term fulfillment of EDC's mandate, the Human Resources Committee satisfied itself that an appropriate leadership development program for managers had been implemented within the Corporation. This program will ensure the identification and staffing of critical leadership positions, examine the ongoing relevance of EDC's structure to its strategic imperatives, and begin to assess EDC's current talent against future requirements. This year again, the Human Resources Committee noted several key managerial positions filled.

Public Policy Objectives: As part of the legislative review, the *Report of the Review of the Export Development Act* highlighted the need for EDC to clarify its public policy mandate and a need to balance the protection of exporters' interests with the response to stakeholder concerns. The Board, in conjunction with management, multiplied its efforts to respond to these findings of the report by implementing a corporate social responsibility ("CSR") framework designed to ensure that EDC conducts its activities in a socially responsible manner, and to preserve its strong reputation for CSR. The year 2000 was pivotal for the Board in connection with the monitoring of CSR initiatives. These initiatives, summarized as follows, were reported in a recently released brochure entitled *Doing the Right Thing – Corporate Social Responsibility at EDC.*

EDC has a strong vision/mission, and resources are properly and efficiently assigned to achieve it.

During the year, the Risk Management Committee received an evaluation, conducted by an independent expert in the field, of EDC's market risk management policies measured against best-in-class practices in both private sector and public sector financial institutions, which evaluation indicated that EDC's policies and governance framework did represent best-in-class practices in this area. As part of the evolution towards ERM, the Risk Management Committee and the Audit Committee agreed that the market risk management function should be integrated in the Risk Management Office of the Corporation rather than in the Treasury department, and also agreed to a parallel transfer of oversight responsibility for this function from the Audit Committee to the Risk Management Committee. After intensive work by the Audit and Risk Management Committees, along with the Corporate Governance Committee, the Board in December approved revised Terms of Reference for the Audit Committee and Risk Management Committee to reflect the transfer of oversight responsibility for market risk from the Audit Committee to the Risk Management Committee.

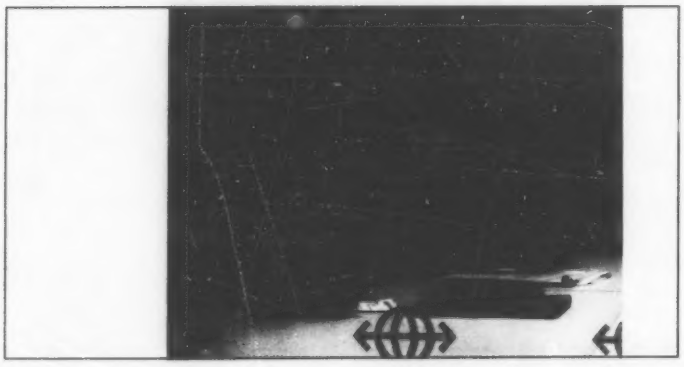
An important initiative was the development of a new disclosure policy, to be finalized in 2001, in consultation with stakeholders over the course of the year. That policy will enable more information on EDC's business activities to be disclosed to the public, while ensuring customers' commercial confidentiality. Following on another major CSR initiative, the implementation in 1999 of the Environmental Review Framework ("ERF"), procedures were implemented and applied to ensure that environmental risks associated with proposed transactions were assessed in accordance with the ERF as part of the transaction approval process. Work commenced towards a review and audit by the Auditor General of Canada of the ERF to be completed in 2001. Finally, the Education and Youth Employment ("EYE") Strategy, promoting international business knowledge and trade-related career opportunities to students across Canada, was enhanced in 2000.

The first need identified, the streamlining of information, was met through the regular reports developed and presented to the Board pursuant to the Credit Risk Policy Manual and the Market Risk Management Policy, and by establishing a secure electronic data bank where all relevant information for meetings will be posted and may be accessed by directors at their convenience. The reporting of non-financial performance indicators was addressed through the implementation of the CSR framework.

Work commenced towards a review and audit by the Auditor General of Canada of the ERF to be completed in 2001.

Board Requirements: While the Board was satisfied with the systems in place for reporting the information and those for internal control, and while the directors expressed their high level of confidence in the integrity of the information produced by those systems, the 2000 Survey highlighted a need to streamline the information provided to the Board and to develop and report on significant non-financial performance indicators.

Communications and Marketing: With the support and guidance of the Business Development Committee of the Board, the Corporation invested during the year in a strong program for raising the level of awareness of EDC and its activities with a view to creating a greater demand for EDC's products. This program produced positive results in terms of triggering inquiries in response and favourable corporate image ratings. At a meeting held in early January 2001, the Business Development Committee expressed its satisfaction with what had been accomplished during 2000, including the overall positive results of the 2000 media program, and reinforced its support and desire to continue developing EDC's corporate image.

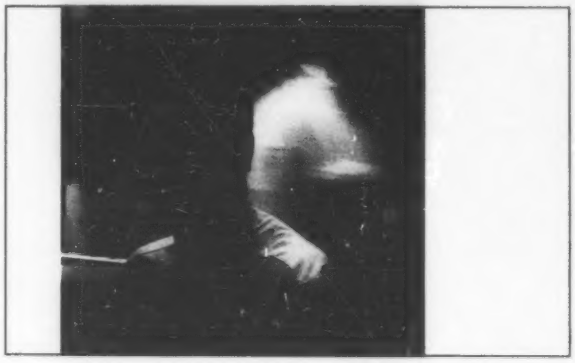


Functioning of the Board

In this area again, the 2000 Survey contributed to ensure EDC's compliance with the Treasury Board Guidelines, and provided the members of the Board with an opportunity to self-assess and evaluate their performance. The Board was assisted by a strong committee framework, both the overall structure and membership of which were reviewed and confirmed during the year.

Furthermore, reinforcing the importance of the Board's independence of function, in-camera sessions continued to be held prior to each meeting of the Board and prior to some of the committee meetings in 2000. As was the case last year, three of the seven committees consisted entirely of outside and independent directors.

Lastly, building on the Profile of the Ideal Private Sector Director for EDC created and approved by the Board in 1999, an inventory of the skills profile of the Board members was completed in 2000, outlining the industry knowledge and functional skills of the actual Board members and identifying areas for ongoing development.



The sustained efforts of EDC's Board to evolve its corporate governance practices to comply with the Treasury Board Guidelines will certainly constitute an ongoing focus for the next year. In 2001, another survey will be conducted by the Conference Board, which this time will focus on the progress made since the 2000 Survey.

The members of EDC's Board are aware that, to achieve best-in-class corporate governance practices, they must maintain their ongoing efforts.

Working with Management

The year 2000 marked the implementation of the new Delegation of Authority by the Board to management as part of the Credit Risk Management framework approved at the end of 1999. The new structure was instrumental in shifting the focus of the Board from transactions to monitoring portfolio exposure to broad categories of risks, and facilitating examination of broader issues of setting corporate direction and objectives and measuring the results against these benchmarks. The next step, work in respect of which is under way, is the evolution towards formal terms of reference for the Chairman of the Board, the President and the Board itself.

Lastly, as part of the compensation regime of the Corporation, the Human Resources Committee of the Board approved a set of corporate objectives against which the performance of the President for the year will be assessed.

Committees of the Board of Directors

The Audit Committee assists the Board in fulfilling its responsibilities in relation to: financial reporting and performance measurement; financial and management control systems and practices; the safeguarding of assets of the Corporation and the management of its resources; corporate financing; internal and external audits; EDC's *Code of Business Ethics* and *Code of Conduct;* and its Environmental Review Framework. Areas of particular focus in 2000 included the review of proposed significant investments in technology projects. In 2000, the Committee held six meetings.

Members: J.A. Pattillo (Chair), R.A. Fung, R.J. Holt and G.S. White.

The Business Development Committee assists the Board by providing policy direction to enhance EDC's ability to meet the evolving needs of the market, taking into account factors related to industrial sector or regional economy. Areas of particular focus in 2000 included: consideration of recommendations arising from the Report on the Review of the *Export Development Act* and monitoring of the legislative review process, in particular as they relate to CSR; awareness and brand recognition of EDC among stakeholders; development and implementation of an Education and Youth Employment Strategy; and work towards the development of an E-Commerce Strategy. In 2000, the Committee held five meetings.

Members: R.D. Doucett (Chair), D.E. Byrne, R.A. Fung, P. MacDonald and G.S. White.

The Corporate Governance Committee is responsible for, and makes recommendations to the Board on, matters relating to EDC's corporate governance regime, including the development and implementation of methods to ensure good Board performance; and the determination of the structure, responsibility and composition of the various committees of the Board. Areas of particular focus in 2000 included the monitoring of a directors' survey, conducted by an independent third party, which included an evaluation of the skills profiles of directors; an ongoing review of EDC's corporate governance practices compared with Treasury Board Guidelines; and revised terms of reference for the Audit and the Risk Management Committees. In 2000, the Committee held three meetings.

Members: P.J. Lavelle (Chair), D.E. Byrne, R.D. Doucett, J.A. Pattillo and D. Vachon.

The Executive Committee has the authority to exercise all the powers of the Board with the exception of: declaring dividends; approving any corporate plan, budget, financial statements or report required by any statute or under EDC's by-laws; and making, amending or repealing EDC's by-laws. This Committee is intended to meet to handle only those urgent matters that may arise between meetings of the Board. In 2000, the Committee held four meetings.

Members: P.J. Lavelle (Chair), A.I. Gillespie, P. MacDonald, J.A. Pattillo and R.G. Wright.

The Human Resources Committee assists the Board by: reviewing and making recommendations to the Board on EDC's Human Resources strategic plan, succession plans for executive officers, and EDC's compensation policy; approving, on the recommendation of the President, the annual budget for both base pay and variable pay, and the annual cash compensation paid to senior executives;

and working with the Pension Committee in making recommendations to the Board regarding the design of the pension plan for EDC employees, and any changes to pension benefits that may be made after the establishment of the plan. Areas of particular focus in 2000 included: a review of the President's performance against objectives; succession planning for senior management positions; work towards and implementation of the EDC pension plan; and approval of EDC's compensation plan for 2001. In 2000, the Committee held seven meetings, and one joint meeting with the Pension Committee.

Members: R.J. Holt (Chair), A.I. Gillespie, P.J. Lavelle, P. MacDonald and R.G. Wright.

The Pension Committee had an initial mandate of assisting the Board in establishing the pension plan for EDC employees, and has ongoing responsibilities with regard to the administration of the plan, including ensuring the plan is administered and funded in accordance with applicable legislation, required documents are filed with appropriate authorities, and all activities of the plan are monitored on an ongoing basis, as well as working with the Human Resources Committee in making recommendations to the Board on any changes to the design of and benefits under the plan. Areas of particular focus in 2000 included: finalization and approval of the design, texts, funding mechanisms and fund management structures of both the registered pension plan and related retirement compensation arrangement; ensuring that registrations with appropriate authorities were made in accordance with applicable legislation; and the approval of the selection and engagement of service providers. In 2000, the Committee held five meetings and one joint meeting with the Human Resources Committee.

Members: D.E. Byrne (Chair), A.I. Gillespie, R.J. Holt and P.J. Lavelle.

The Risk Management Committee assists the Board in fulfilling its oversight responsibilities with respect to the management of the financial and other enterprise risks, including direct and contingent credit exposures undertaken by the Corporation in the conduct of its business activities, including establishing and updating, as required, an effective and flexible regime governing the authorizations required by the Corporation to undertake such activities; the risks to the Corporation's financial resources and value from exposure to changes in market risk factors such as interest rates, foreign exchange rates and equity indices; and availability of liquid diversified financial resources to call upon in the event that market conditions do not permit access to funding. In 2000, the Committee held five meetings, and amended its terms of reference to reflect the assumption of the oversight responsibility for market risk from the Audit Committee and other activities in connection with the implementation of a comprehensive framework for Enterprise Risk Management.

Members: P. MacDonald (Chair), A.I. Gillespie, R.J. Holt, P.J. Lavelle and J.A. Pattillo.

All committees are required to report to the Board of Directors on their activities on a regular and timely basis.

The remuneration of directors falls under the authority of the Governor General in Council. The Chairman of the Board is paid an annual fee of $6,500 and a per diem of $375, and the other private sector directors are paid an annual fee of $4,500 and a per diem of $375. In addition, private sector directors, other than the Chairman of the Board, receive annual fees of $1,000 when they hold office as Vice-Chairman of the Board or Chair of a committee of the Board. Public service directors are not paid for their services as directors.

The total aggregate remuneration paid in 2000 to EDC's private sector directors was approximately $187,000 compared with $212,000 in 1999. They served, on average, on three committees of the Board, and attended a total of 44 Board and committee meetings in 2000 while, for the previous year, they attended a total of 48 Board and committee meetings. The total costs incurred by the Board, including business travel and promotion as well as meeting expenses, were $225,715 for 2000 compared with $266,346 for 1999.

Code of Business Ethics

Commitment to legal and ethical conduct

EDC will conduct its business and affairs in accordance with the letter and spirit of all applicable laws in the countries in which it does business. If any EDC employee or representative is ever uncertain as to the interpretation or application of a particular law, he or she must seek advice from Legal Services before taking action. Compliance with the law may, however, fall short of the standard of ethical conduct expected by EDC.

Accordingly, it is EDC's policy that each of its directors, employees and representatives conduct EDC's business with honesty, integrity and fairness. It is also corporate policy that communication and relationships with stakeholders be truthful and transparent in a way that will withstand the highest degree of public scrutiny. Working relationships will be based on candor and openness, treating each other fairly and with respect, while acting with integrity, and weighing responsibilities to all stakeholders.

The environment

In considering transactions, EDC examines environmental risk along with any other risk. EDC has developed its own environmental assessment framework in consultation with Canadian exporters, environmental organizations and other stakeholders. This framework will support EDC's desire to conserve and enhance environmental quality and to advocate concern for the environmental impact of projects it supports in foreign jurisdictions. EDC will encourage best practices among those with whom it does business, with the aim of raising international environmental standards. EDC will strive for high standards of environmental conservation while ensuring that this does not unduly hinder EDC's ability to support Canadian exporters to compete on a global scale.

Prohibitions against bribery and corruption

Basic criminal statutes of virtually all countries prohibit extortion and bribery. Under no circumstances will EDC, directly or indirectly, knowingly offer or give a bribe. Further, EDC will not support a transaction that involves the offer or giving of a bribe, and will exercise reasonable diligence and care not to support unknowingly such a transaction.

Human rights

EDC values human rights and promotes the protection of internationally recognized human rights, consistent with the policies of the Government of Canada. EDC recognizes the sovereignty of other national governments with respect to human rights and conducts business with them where doing so is consistent with the policies of the Government of Canada.

EDC employees, representatives and other stakeholders are entitled to have their dignity as human beings respected and to work in an environment free from intimidation, hostility or offensiveness. EDC is therefore committed to creating and maintaining a work and business environment that is free from harassment and discrimination on prohibited grounds. These prohibited grounds include age, race, colour, religion, creed, sex, nationality, ethnic or place of origin, citizenship, language, political belief, marital or family status, pregnancy, sexual orientation and disability.

Avoiding conflicts of interest

Employees and representatives of EDC have a duty to act in the best interests of EDC at all times. A conflict of interest arises when an employee must choose between EDC's best interests and his/her own. The judgment of EDC employees and representatives must be, and must be seen to be, independent of any personal or financial interests that arise from business dealings, social ties, or other personal considerations.

EDC has adopted a *Code of Conduct* that requires employees and representatives of EDC to adhere to the highest standards of conduct with respect to conflicts of interest. Compliance with these standards is achieved through avoidance, disclosure, discontinuance or divestment.

Gilles Ross
Senior Vice-President, Legal Services, and Secretary

Maintaining confidentiality of information

EDC will respect the privacy rights of its stakeholders, including their right to security of information. EDC will preserve confidential information in its possession, and use such information only for corporate purposes.

Some employees have access to sensitive or confidential information that, if released, could significantly harm EDC, its employees or other stakeholders. Therefore, employees and other representatives of EDC must use extreme care when handling such information. As a general rule, such information shall not be provided to EDC employees or representatives other than on a need-to-know basis or to anyone outside EDC who is not authorized or legally entitled to receive it.

Glossary of Financial Terms

Actuarial Gains and Losses – Changes in the value of the accrued benefit obligation and the plan assets resulting from actual results differing from those assumed or changes in an actuarial assumption.

Actuarial Valuation (re: Employee Benefits Plan) – An assessment of the financial status of a benefit plan performed by an independent actuary. It includes the valuation of any plan assets and the accrued benefit obligation using estimates of future events that will affect the costs and obligation for employee future benefits.

Basis Point – One one-hundredth of a percentage point.

Contingent Liability – Potential debt which may become an actual financial obligation if certain events occur or fail to occur. Contingent liability is also referred to as insurance policies and guarantees outstanding.

Credit Risk – Credit risk is the possibility that a loss may be incurred if a counterparty fails to meet its financial commitments.

Efficiency Ratio – Administrative expenses expressed as a percentage of operating income.

Financial Sustainability Ratio – Adjusted operating income (operating income net of administrative expenses and debt relief) as a percentage of the year's average capital and allowances.

Foreign Exchange Risk – Foreign exchange risk is the possibility that a loss may result from exchange rate movements.

Gross Loans Receivable – Principal amounts outstanding, including any non-accrued capitalized interest, under existing loan agreements.

Hedge – A risk management practice used to manage interest rate or foreign exchange exposures arising from the normal course of business operations.

Impaired Loan – Loans that no longer have reasonable assurance of collection of interest and principal.

Interest Rate Risk – Interest rate risk is the potential impact on the Corporation due to changes in interest rates.

LIBOR – London Inter-Bank Offered Rate – The interest rate at which banks in London are prepared to lend funds to first-class banks.

Liquidity Risk – Liquidity risk is the chance that funds will not be available to meet the Corporation's obligations.

Market Risk – Market risk is the likelihood of a loss to the Corporation as a result of possible movements in interest and foreign exchange risk.

Net Interest Income – The difference between the interest earned on assets and interest expense on borrowings.

Net Margin – Net interest income expressed as a percentage of average assets employed.

Net Operating Income – Operating income net of administrative expenses.

Off-Balance Sheet Financial Instrument – An asset or liability that is not recorded on the balance sheet, but has the potential to impact cash flows in the future if a contingent event occurs.

Operating Income – Net income excluding the provision for credit losses and administrative expenses.

Operational Risk – Operational risk is the potential loss that may result from human error, internal control weaknesses and system deficiencies.

Projected Benefit Method Pro Rated on Services – An actuarial valuation method in which an equal portion of the total estimated future benefit is attributed to each year of service.

Projected Benefit Obligation – The actuarial present value of benefits attributed to employee services rendered to a particular date.

Return on Equity – Net income expressed as a percentage of shareholder's equity.

Undisbursed Loan Commitments – A contractual amount under an existing loan agreement that has yet to be advanced to the borrower.

Corporate Offices

Head Office
Export Development Corporation
151 O'Connor Street
Ottawa, Canada
K1A 1K3

Tel.: (613) 598-2500
Fax: (613) 237-2690

Web site: www.edc.ca

Vancouver Office
Suite 1030, One Bentall Centre
505 Burrard Street, Box 58
Vancouver, British Columbia
V7X 1M5

Tel.: (604) 638-6950
Fax: (604) 638-6955

Edmonton Office
Suite 905
10010–106th Street
Edmonton, Alberta
T5J 3L8

Tel.: (780) 702-5233
Fax: (780) 702-5235

Calgary Office
Home Oil Tower
Suite 606
324–8th Avenue S.W.
Calgary, Alberta
T2P 2Z2

Tel.: (403) 537-9800
Fax: (403) 537-9811

Winnipeg Office
Commodity Exchange Tower
Suite 2075
360 Main Street
Winnipeg, Manitoba
R3C 3Z3

Tel.: (204) 975-5090
Fax: (204) 975-5094

London Office
Suite 1512
148 Fullarton Street
London, Ontario
N6A 5P3

Tel.: (519) 963-5400
Fax: (519) 963-5407

Toronto Office
Suite 810
150 York Street
Toronto, Ontario
M5H 3S5

Tel.: (416) 640-7600
Fax: (416) 862-1267

Montreal Office
Tour de la Bourse
Suite 4520
800 Victoria Square
Montreal, Quebec
H4Z 1C3

Tel.: (514) 908-9200
Fax: (514) 878-9891

Quebec Office*
Suite 1300
2875 Laurier Boulevard
Quebec , Quebec
G1V 2M2

** Scheduled to open in May 2001*

Moncton Office
Suite 400
735 Main Street
Moncton, New Brunswick
E1C 1E5

Tel.: (506) 851-6066
Fax: (506) 851-6406

Halifax Office
Purdy's Wharf Tower II
Suite 1410
1969 Upper Water Street
Halifax, Nova Scotia
B3J 3R7

Tel.: (902) 442-5205
Fax: (902) 442-5204

St. John's Office
90 O'Leary Avenue
St. John's, Newfoundland
A1B 2C7

Tel.: (709) 772-8808
Fax: (709) 772-8693

EDC Regional Representation

Mexico
Calle Schiller 529
Rincón del Bosque
Colonia Polanco
México, D.F. 11560
Mexico

Tel.: 011-525-387-9316
Fax: 011-525-387-9317

Brazil and Southern Cone
Av. das Nações Unidas 12901
Cenu Torre Norte, Andar 16
CEP 04578-000, São Paulo – SP
Brasil

Tel.: 011-5511-5509-4321,
ext. 3320
Fax: 011-5511-5509-4260

China
c/o Canadian Embassy
19 Dongzhimenwai Street
Chaoyang District
Beijing, 100600
China

Tel.: 86-10-6532-3536, ext. 3357
Fax: 86-10-6532-4072

Our Vision and Values

Vision

EDC will be the recognized leader in providing ground-breaking commercial financial solutions to companies of all sizes, helping them succeed in the global marketplace and create enduring prosperity for Canada.

Values

People

We are the heart and soul of EDC. Our diversity enriches us all. Each one of us deserves respect and makes a difference. Working together is fundamental to our success.

Excellence

We are responsible for excellence in everything we do. We believe in personal accountability and the power of challenging the status quo.

Passion

Initiative and enthusiasm characterize the way we work. We take satisfaction in the quality of what we do. We are here because we want to be here.

Learning

We believe that learning is an invigorating and continuous process. We seek out and embrace personal and professional development, and the invaluable lessons that come from experience.

Ce document existe également en version française.

Printed in Canada on Canadian recycled and recyclable paper.

Canada